



Investissement
Québec

ANNUAL REPORT 2000 - 2001



ANNUAL REPORT 2000 - 2001

TABLE OF CONTENTS

- 1 Highlights
- 12 Mission and Values
- 13 Message from the President and Chief Executive Officer
- 15 Three-Year Review
- 19 Contribution to Québec's Economic Development
- 33 Economic Profitability
- 51 Service Quality
- 55 Management
- 67 Financial Information
- 87 Appendices

HIGHLIGHTS

For the April 1, 2000 to March 31, 2001 period, Investissement Québec authorized 929 financing operations totalling \$802.6 million that helped implement projects valued at \$5.4 billion and create 24,228 jobs.

Financial support

Financing operations	929
Companies ¹	819
Value of projects	\$5.4 billion
New jobs	24,228
Financing granted	\$802.6 million

Québec Business Investment

Companies (QBIC)

Number of QBICs registered	40
Investments validated	83
Value of investments	\$23 million

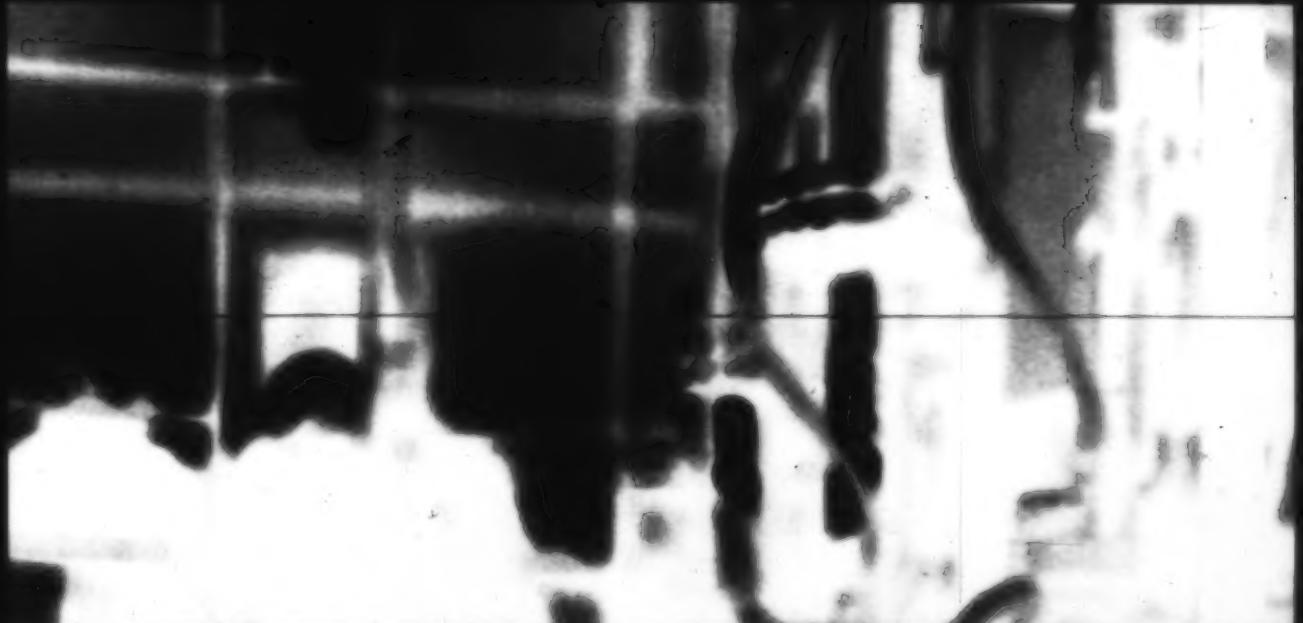
Fiscal measures related to the new economy and the regions

Number of eligibility attestations issued	321
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¹ Depending on the plan provided by the companies, project implementation and job creation are spread over a maximum period of three years.

929

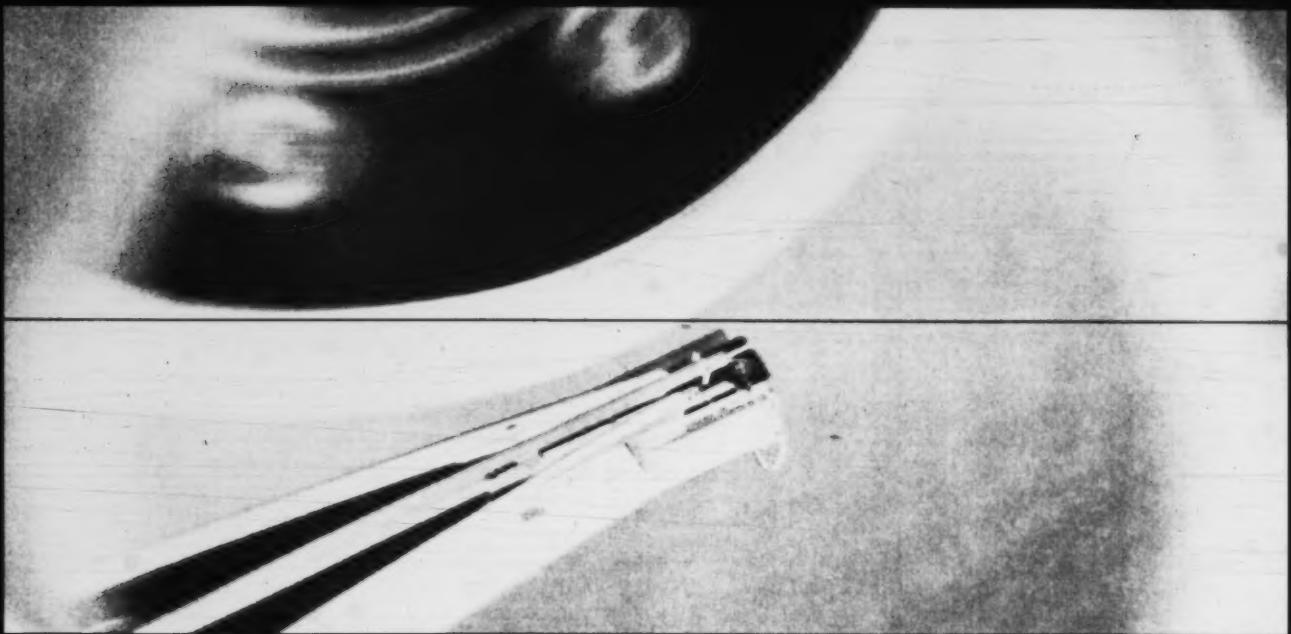
FINANCING OPERATIONS



Investissement Québec authorized 782 financing operations, 49% of which concerned innovation and export projects. It also authorized 147 financing operations relating to major projects by SMBs or large corporations that might otherwise have been carried out elsewhere in the world.

819

COMPANIES FINANCED IN 2000-2001 AND LOCATED
IN ALL QUÉBEC REGIONS



Each year, Investissement Québec uses a questionnaire to survey its client companies about the quality of its customer service. The general satisfaction rate, which stood at 88% in 1999, rose to 93% in 2001.

5.4

BILLION DOLLARS IN PRIVATE INVESTMENTS IN 2000-2001



Over the past three years, Investissement Québec has supported projects evaluated at \$14.3 billion, thus confirming its determination to perform its role fully within the business community and the Québec economy.



24,228*

NEW JOBS

* Depending on the plan provided by the companies, project implementation and job creation can spread over a period of three years.



"Projects financed by Investissement Québec will lead to the creation of more than 24,000 jobs over the next three years. This is the figure that means the most to me personally because it truly represents the human dimension at the heart of our mission."

Louis L. Roquet, President and Chief Executive Officer, Investissement Québec

802.6

MILLION DOLLARS IN FINANCING

The Corporation's financial support to companies is profitable for the Québec economy. Tax and incidental tax revenue generated by the operations and projects of companies financed by Investissement Québec are estimated at \$8.5 billion*. The Corporation estimates that, without its activities, the government would have been deprived of \$1.6 billion in revenue.

* Tax and incidental tax revenue for the past three years.

OUR MISSION

Investissement Québec was created in 1998. Its mission is to contribute to Québec's economic development by promoting private investment and job creation. The Corporation has a number of financial and fiscal tools to help companies of all sizes realize investment projects in all regions of Québec. Investissement Québec complements the actions of its financial partners by assuming certain risks to support projects that might otherwise be cancelled or postponed. It also advises companies and strives to facilitate their efforts and the financing packaging for their projects. Its assistance is geared mainly to organizations whose operations create a significant impact in terms of innovation and exports.

OUR VALUES

- A service relationship built on openness, trust and joint action.
- A competent, proactive and empowered team.
- Transparent, efficient and effective management.

MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

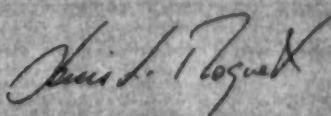
Fiscal 2000-2001 was an exceptional year for Investissement Québec. Indeed, we again exceeded our annual performance objectives, approving 929 financing requests for projects worth some \$5.4 billion. These projects will lead to the creation of more than 24,000 jobs over the next three years. This is the figure that means the most to me personally because it truly represents the human dimension at the heart of our mission. By helping local companies to grow and by convincing foreign companies that Québec is a great place to do business, we are energizing our economy and providing better opportunities for all Quebecers and their families.

Over the year, Investissement Québec enhanced its client offering by introducing several new programs, including the SMB Spark program, aimed at small- and medium-sized businesses. We also expanded the FAIRE program for large businesses and assumed the responsibility of certifying tax-credit applications for companies involved in "new-economy" businesses such as multimedia. As a result, I can proudly say that our "toolkit" is virtually complete. We have the programs, services and the people to help companies at all phases of their development, from start-up to international expansion.

In our extremely competitive business environment, however, we cannot afford to rely on our past achievements. We have to constantly anticipate the needs of our current and potential clients. To this end, we have begun transforming Investissement Québec into a truly customer-focused organization. Our focus on customers requires that we work more closely with companies that have a growth potential and the management structure needed to develop it. It also means that we must carefully seek out those companies that are specifically interested in what Québec has to offer: a skilled workforce, abundant energy, and a high standard of living, among other factors.

To help us achieve our new focus, we have embarked on a three-year strategic plan that will bring major changes to our organization. Among other initiatives, we will significantly decentralize operations so that all those who have direct contact with customers will be trained and empowered to provide them with a full range of solutions. Decentralization will also give more decision-making powers to regional offices.

Our objectives for the coming year are extremely ambitious, but I have every confidence that we will succeed thanks to our highly skilled and enthusiastic team of employees, and the valuable contribution of our board of directors. I look forward to meeting the challenges and reaping the rewards with them over the coming months and years.



Louis L. Roquet
President and Chief Executive Officer

MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

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Louis L. Roquet
President and Chief Executive Officer

THREE-YEAR REVIEW

Part of Investissement Québec's mission is to promote private investment in Québec. Over the past three years, the Corporation has supported projects valued at \$14.3 billion, thus confirming its determination to perform its role fully within the business community and the Québec economy.

Since its creation in 1998, the Corporation has authorized 2,530 financing operations, for total financing of \$2.2 billion.

Number of Financing Operations



Value of Projects (millions of \$)



The results of the last three years largely exceed the five-year goal¹ of \$6.3 billion² in investments set by the Québec government in 1998.

¹ The government's goal remained unchanged from the previous year, despite the lack of results.

² In previous documents of the past three years, the government had set \$6.3 billion. Lines of credit and tax credits totalling \$1.2 billion should be deducted from this amount, bringing the total to \$5.1 billion.

PRODUCTS

The Corporation has expanded its line of products, notably its loan guarantees, the Private Investment and Job Creation Promotion Fund (FAIRE) and the Québec Business Investment Companies program (QBIC), in order to meet the cash flow needs of certain clients and the needs of companies in certain sectors and regions.

The Corporation supports business start-ups through its SMB Spark program launched in the spring of 2000. It also provides additional financial support to SMBs with the desire and potential to grow, through its new subsidiary and new Investor Immigrant program.

Lastly, Investissement Québec now issues eligibility attestations for tax credits granted to companies in the new economy and in certain resource regions.

QUÉBEC AND GLOBAL PRESENCE

To better respond to the many requests from its clients, Investissement Québec has increased its workforce from 195 to 344 since 1998. In addition, the Corporation has offices in nine administrative regions of Québec, which makes it easier for local companies to use its services and also enhances synergy with regional stakeholders. This number will increase during the next fiscal year, in keeping with the requirements of the last Québec government budget concerning resource regions.

As well, in order to expand its prospecting activities abroad, the Corporation works with international canvassers and a team responsible for monitoring foreign subsidiaries established in Québec. The latter represent the main gateway into Québec for foreign investors.

PROMOTION AND PROSPECTING OF FOREIGN INVESTMENTS

Over the past three years, Investissement Québec has intensified its promotional efforts in Québec and the prospecting of foreign investments. To date, the Corporation has carried out 430 promotion, prospecting and networking activities, during which it has met with 1,828 new companies and welcomed 642 investors. Following these activities, 29 new companies have set up operations in Québec and 33 companies already established in the province have expanded. In terms of impact, these new operations and expansions should generate investments of some \$2 billion and help create 7,143 jobs.

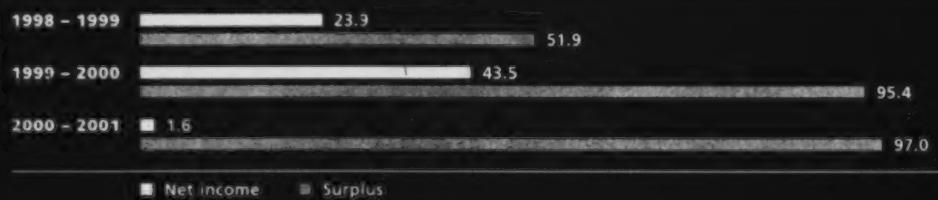
Europe	\$685.6 million	3,548 jobs
Americas	\$1,348.1 million	3,244 jobs
Asia / Oceania / Middle East	\$57.5 million	351 jobs
Total	\$2,091.2 million	7,143 jobs

FINANCIAL POSITION OF THE CORPORATION

The value of the financing operations portfolio, after deducting the cumulative provision for losses, has increased steadily, from \$1.24 billion on March 31, 1999, to \$1.28 billion on March 31, 2000, and to \$1.35 billion on March 31, 2001.

As the table below indicates, net annual income of the past three years stands at \$23.9 million, \$43.5 million and \$1.6 million,³ respectively. The surplus at the end of each fiscal year has gone from \$51.9 million in 1999 to \$95.4 million in 2000, and to \$97.0 million in 2001.

Net Income and Surplus (millions of \$)



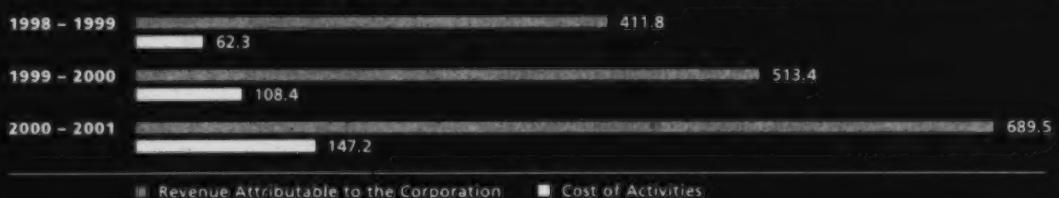
3. The decline in net income is mainly due to the increase in the provision for losses expense in the case of financing operations not guaranteed by the Quebec Government (see explanations p. 69).

ECONOMIC PROFITABILITY

The Corporation's financial support to companies is profitable for the Québec economy. Tax and incidental tax revenue generated by the operations and projects of companies financed by Investissement Québec are estimated at \$8.5 billion. The Corporation estimates that, without its activities, the government would have been deprived of \$1.6 billion⁴ in revenue.

The cost-benefit ratio has exceeded 4/1 over the past three years. Indeed, the Québec government collected \$6.61 in 1998-1999, \$4.74⁵ in 1999-2000 and \$4.68 in 2000-2001 in tax and incidental tax revenue for each dollar it spent on Investissement Québec. These figures confirm the leverage generated by Investissement Québec's activities.

Revenue Attributable to the Corporation and Costs (millions of \$)



Cost-Benefit Ratio



CLIENT SATISFACTION

Each year, Investissement Québec uses a questionnaire to survey its client companies about the quality of its customer service. The general satisfaction rate,⁶ which stood at 88% in 1999, rose to 93% in 2001.

4. The method used to calculate this portion is explained in Appendix 1.

5. Accounting adjustments have been made in computing previous years' costs to take into account their presentation in the financial statements. The costs have been adjusted upward, thus explaining the decline in the ratio for 2000-2001 compared with the ratios presented in the Corporation's previous annual reports. In addition, the economic impact has been adjusted to exclude the activities of companies that benefitted from the Canada-Québec Auxiliary Agreement.

6. Proportion of satisfied respondents for all aspects assessed in the questionnaire.

CONTRIBUTION TO QUÉBEC'S ECONOMIC DEVELOPMENT

Investissement Québec plays a major role in implementing the Québec government's economic development strategy by supporting the growth of companies of all sizes and types in many sectors and in all regions.

The following are the results of Investissement Québec's activities of the past fiscal year through its many programs and measures. These results are presented by type of program or program segment, by sector and by region, and are preceded by an overview of Québec's economic climate.

ECONOMIC CLIMATE

Since the mid-90s, Québec has been experiencing strong economic growth. Business investment, combined with the upsurge in household spending, has played a key role in this expansion. In 2000, Québec's economic growth exceeded the Canadian average for the third straight year, as the table below shows.

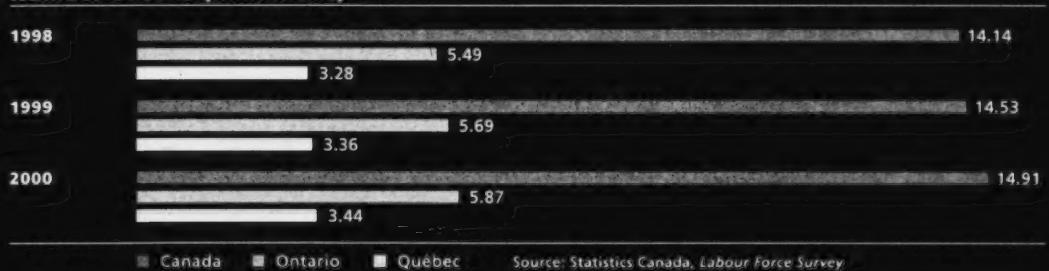
Growth of Capital Investments (Private and Public)⁽¹⁾

	1998	1999	2000	Average Annual Growth Rate (1998-2000)
Québec	7.6%	6.5%	9.0%	7.7%
Ontario	5.2%	5.3%	9.6%	6.7%
Canada	5.9%	6.4%	8.7%	7.0%

Sources: Statistics Canada, Institut de la statistique du Québec and the Ontario Ministry of Finance.

(1) These data exclude residential construction.

Number of Jobs (in millions)



The Québec labour market has also benefited from this growth. The number of employed Quebecers stood at 3.4 million in 2000, representing an average annual increase of 2.4% since 1998.

The percentage of employed Quebecers between 15 and 64 years of age has risen by 2.6 points since 1998, compared with 2.5 points in Ontario and 2.2 points in Canada.

In addition, the unemployment rate has fallen much further in Québec since 1998, from 10.3% to 8.4% in 2000, down 1.9 points, versus a decrease of 1.5 points in Ontario and Canada.

FINANCING GRANTED BY PROGRAM OR PROGRAM SEGMENT

During the year, the Corporation authorized 929 financing operations for 819 companies, of which 93% were SMBs.⁷ Compared with fiscal 1999-2000, the number of operations rose by 21%. On average, the financial support was \$980,000 per company, compared with \$885,000 for the previous fiscal year.

The table below indicates that, in 782 cases (84%), Investissement Québec uses programs or program segments that are complementary to private sector financing. In concrete terms, companies were given a guarantee that helped them obtain a loan, line of credit or other form of financing from financial institutions.

Of these 782 cases, 49% concerned innovation and export projects, while 18% were for the support of start-up companies through the SMB Spark program. The Corporation has thus exceeded the objectives of its three-year action plan, which called for 665 such financing operations for 2000-2001.

Financing Granted by Program or Program Segment, 2000-2001

Program or Program Segment	Number of Financing Operations	Value (\$M)		Number of Jobs ⁽¹⁾	
		Financing	Projects ⁽²⁾	Existing	New
Production and alliance	97	42.2	169.8	5,081	1,159
Innovation					
• Tax credit	230	63.5	319.2	4,799	2,606
• Development	40	10.6	38.6	542	387
Exports					
• Line of credit	79	49.2	77.5	3,549	737
• Marketing	35	12.6	35.7	1,364	509
Cooperative	48	17.3	36.6	2,507	343
NPO ⁽³⁾ – social economy	93	24.3	60.0	1,147	1,122
SMB Spark	138	10.5	31.0	583	862
Other ⁽⁴⁾	22	12.8	29.9	916	129
Sub-total	782	243.0	798.3	20,488	7,854

Financing of Major Projects, 2000-2001

FAIRE	139	434.4	4,365.6	20,094	16,374
Government mandates	8	125.2	228.0	309	0
Sub-total	147	559.6	4,593.6	20,403	16,374
Total	929	802.6	5,391.9	40,891	24,228

(1) Depending on the plan provided by the companies, project implementation and job creation are spread over a maximum period of three years.

(2) Non-profit organization.

(3) This category includes amounts committed under the Growth Working Capital Fund, the Adjustment Working Capital Fund, the Experimentation Measure, the Investor Immigrant program and Recyc-Québec.

7. An SMB is defined as a company with fewer than 100 employees in the primary and tertiary sectors, or with fewer than 200 employees in the secondary sector. The number of employees is before the financial assistance from Investissement Québec.

Investissement Québec also authorized 147 financing operations concerning major projects of SMBs or large companies (16% of all operations) which might otherwise have been realized elsewhere in the world. The financing for these projects was in the form of repayable contributions (\$366.5 million) and non-repayable contributions (\$193.1 million). The number of financing operations under the FAIRE program remained unchanged from a year ago. However, the value of the projects grew by 47%, from \$3 billion to \$4.4 billion, helping the Corporation exceed the \$3.1 billion financing goal for 2000-2001 set in its action plan by 42%.

QUÉBEC BUSINESS INVESTMENT COMPANIES

The Corporation manages a fiscal measure for investments in SMBs called Québec Business Investment Companies (QBIC). Launched in 1985, this tool can be used to invest in the common share capital of an SMB in return for tax benefits. The creation of a QBIC involves several steps: incorporation as a joint stock company, recruitment of shareholders, registration and validation of the investment with Investissement Québec. During the year, the Corporation registered 40 QBICs and validated 83 investments with a total value of \$23 million.

QBICs in 2000-2001

Number of QBICs registered	40
Number of investments	83
Value of investments	\$23 million

FISCAL MEASURES CONCERNING THE NEW ECONOMY AND THE REGIONS

Investissement Québec now has various fiscal measures to promote the creation and expansion of companies in the new economy.⁸ These measures provide eligible companies with tax credits and exemptions, and are meant to encourage the creation and growth of companies in the new economy and in certain production sectors. They also promote the creation of technological centres that maximize the level of collaboration and encourage companies to set up operations in buildings adapted to new technologies. Certain measures are designed to increase a particular region's advantages.

The Corporation is responsible for administering these fiscal measures by issuing eligibility certificates to companies that satisfy the selection criteria.⁹

In 2000-2001, Investissement Québec issued 321 eligibility certificates to companies that expect to create more than 6,600 jobs over a maximum period of three years. However, these data are not included in the table on page 21 (Financing Granted by Program or Program Segment, 2000-2001), because the jobs created may already be supported otherwise than by Investissement Québec and hence may be accounted for in other programs.

8. The main sectors eligible, under certain conditions and depending on the measure under consideration, are information and communications technologies, biotechnologies, certain manufacturing and processing sectors, the environment, materials technology, as well as scientific and technological services.

9. These criteria are based on the company's sector of activity and its geographic location, as the case may be.

Certificates Issued and New Jobs, 2000-2001

Fiscal Measure	Number of Certificates Issued	Number of New Jobs ⁽¹⁾
Information Technology Development Centres (CDTI)	39	1,508
The Cité du multimédia	20	1,134
New Economy Centres	98	2,317
The Centre national des nouvelles technologies de Québec (CNNTQ)	39	1,639
Tax credit for Gaspésie and other Maritime regions	3	45
Tax credit for the production of multimedia titles	89	n/a
Digital shows	0	0
Technopôle Angus	3	n/a
Aluminum Valley	30	n/a
Total	321	6,643

(1) Depending on the plan provided by the companies, project implementation and job creation can spread over a maximum period of three years.

With the exception of Côte-Nord and Nord-du-Québec, companies that benefit from fiscal measures are spread across Québec. However, four regions stand out: Montréal (116 certificates), the Capital Area (50 certificates) and Saguenay–Lac-Saint-Jean (46 certificates).

Regional Breakdown of Companies That Received a Certificate, 2000-2001

Fiscal Measure	Number of Certificates Issued	Number of New Jobs ¹⁰
Abitibi-Témiscamingue	4	68
Bas-Saint-Laurent	19	533
Capital Area	50	1,613
Centre-du-Québec	2	48
Chaudière-Appalaches	13	599
Côte-Nord	0	0
Estrie	11	428
Gaspésie-Îles-de-la-Madeleine	7	137
Lanaudière	7	188
Laurentides	7	687
Laval	6	40
Mauricie	10	236
Montérégie	14	233
Montréal	116	988
Nord-du-Québec	0	0
Outaouais	9	433
Saguenay–Lac-Saint-Jean	46	412
Total	321	6,643

(1) Depending on the plan provided by the companies, job creation can spread over a maximum period of three years.

FOREIGN-CONTROLLED COMPANIES

According to the Corporation's analysis, the probability of a foreign company's project being carried out elsewhere than in Québec is higher than for most other projects for several reasons. First of all, most of their sales are made outside Québec and, second, these companies are often in competition with other divisions or subsidiaries of their group for global mandates (10 out of 11 cases). Moreover, Québec rarely constitutes their only option as an investment location, and they are heavily solicited by other international development agencies with competitive financing tools.

During the year, 52 of the 129 financing operations¹⁰ authorized under the FAIRE program (40%) were for foreign-controlled companies.¹¹ The projects financed totalled \$2.2 billion, accounting for 53% of the total value of projects financed under the FAIRE program.

10. In the table on page 21, the total number of financing operations authorized during the year under the FAIRE program is higher than that mentioned in this analysis, which excludes feasibility studies and files examined under section 28 (AR28A).

11. Foreign control is said to exist when 50% or more of the shares are held by foreign interests.

Foreign-controlled companies have a major impact in Québec because they attract jobs to the province. In addition, these new investments have a minimal effect on the movement of business from one Québec company to another. This year, nearly 44% of financing operations involving foreign companies under the FAIRE program were intended to support the establishment of new companies in Québec, 29% were to support safeguard projects¹² and 27% were for expansion projects of companies already established in Québec, helping maintain an estimated 3,565 jobs.

Of the 52 foreign companies that benefited from the FAIRE program, 13 carried out investment projects in Québec thanks to Investissement Québec's prospecting efforts. Their projects will lead to investments of \$575.3 million and create 1,453 jobs. Nine projects were for the establishment of a new company and four were for modernization or expansion.

In addition, 11 foreign investment projects were carried out in Québec with the support of Investissement Québec, but without its financial assistance. These projects should generate \$83.2 million in investments and create 1,334 jobs.

FINANCING GRANTED BY ECONOMIC SECTOR

As the table on the next page indicates, Investissement Québec took action in most economic sectors covered by its assistance programs, with 73% of projects financed by the Corporation being in the secondary sector, representing 54% of authorized financing. By comparison, 56% of projects financed during the previous fiscal year were in this sector, accounting for 70% of the total financial commitment.

Some of the 476 financing operations carried out in the secondary sector concerned the high technology industry, notably the manufacture of electrical, electronic and chemical products. The tertiary sector, which accounts for 41% of financing authorized by the Corporation, comprises computer services, which also generate high technology projects.

In all, Investissement Québec supported projects valued at \$452.7 million in the primary sector, \$3.9 billion in the secondary sector, and \$1 billion in the tertiary sector.

12. Includes projects aimed at safeguarding a company and supporting its growth.

Financing Granted by Economic Sector, 2000-2001

Economic Sector	Number of Financing Operations	Value (\$M)		Number of Jobs ⁽¹⁾	
		Financing	Projects ⁽¹⁾	Existing	New
Primary					
Agriculture and fishery	10	5.6	9.5	541	134
Forestry	12	1.6	2.7	1,375	72
Mining	3	37.6	440.6	161	138
Total	25	44.8	452.7	2,077	344
Secondary					
Food and beverage	40	15.1	122.4	1,739	737
Rubber and plastic	24	13.9	108.7	963	365
Leather industry	1	0.7	1.5	21	136
Textile products and					
Textile (primary processing)	9	23.0	233.2	1,185	616
Clothing	26	11.2	26.7	1,003	946
Wood products	51	71.9	670.2	2,791	1,364
Furniture	20	5.5	30.1	2,536	712
Paper	14	98.6	898.8	4,067	755
Printing	7	3.5	33.6	440	82
Metals (primary processing)	8	4.5	20.0	169	174
Metal products	43	21.8	184.8	2,140	1,139
Machinery	33	9.2	36.4	767	410
Transportation equipment	25	11.6	117.8	1,215	635
Electric and electronic products	68	38.5	392.7	4,820	2,196
Non-metallic mineral products	8	2.9	6.0	271	23
Chemical industries	48	76.0	884.3	2,651	742
Various manufacturing industries	51	22.2	144.6	2,442	967
Total	476	430.0	3,911.7	29,220	11,999
Tertiary					
Construction and transportation	22	27.8	81.4	1,048	266
Communications	6	1.6	7.8	41	40
Wholesale and retail	39	39.8	91.9	1,338	136
Computer services	189	51.2	375.1	3,762	2,709
Telephone call centres	27	53.6	84.0	967	6,710
Other business services	18	2.2	7.6	200	162
Health care and social services	98	24.6	66.5	987	976
Tourism	12	6.6	47.5	830	247
Other service industries	17	125.4	265.7	421	639
Total	428	327.8	1,027.5	9,594	11,885
Grand Total	929	802.6	5,391.9	40,891	24,228

(1) Depending on the plan provided by the companies, project implementation and job creation are spread over a maximum period of three years.

FINANCING GRANTED BY REGION

The table below shows the regional breakdown of financing operations authorized by Investissement Québec during the year. Five regions stand out, accounting for 65% of the financing granted by the Corporation: Montréal (268 projects), Montérégie (114), Capital Area (88), Chaudière-Appalaches (76), and Estrie (57).

Financing Granted by Administrative Region, 2000-2001

Administrative Region and Program Category	Investments made in Québec in 2000 (%) ^(a)	Number of Financing Operations	Value (\$)		Investments Supported by Investissement Québec (%) ^(b)	Number of Jobs ^(c)	
			Financing	Projects ^(d)		Existing	New
Abitibi-Témiscamingue (6)^(e)							
SMB Guarantee		14	3,390,243	9,781,962		255	122
SMB Spark		1	39,600	49,500		1	2
FAIRE and Gov't Mandates		5	10,700,000	111,450,000		182	277
Total	3.2%	20	14,129,843	121,281,462	2.4%	438	401
Bas-Saint-Laurent (8)							
SMB Guarantee		24	7,477,339	20,591,771		586	193
SMB Spark		3	300,000	1,104,000		15	52
FAIRE and Gov't Mandates		1	1,000,000	12,500,000		65	35
Total	1.8%	28	8,777,339	34,195,771	0.4%	666	280
Capital Area (3)							
SMB Guarantee		59	13,348,981	62,455,769		1,939	598
SMB Spark		22	1,781,200	4,978,222		46	102
FAIRE and Gov't Mandates		7	12,165,000	60,801,000		968	362
Total	6.8%	88	27,295,181	128,234,991	1.8%	2,953	1,062
Centre-du-Québec (8)							
SMB Guarantee		20	6,102,200	14,276,307		709	63
SMB Spark		5	424,000	997,500		14	23
FAIRE and Gov't Mandates		8	15,222,000	179,345,256		2,955	1,023
Total	2.8%	33	21,748,200	194,619,063	3.8%	3,678	1,109
Chaudière-Appalaches (2)							
SMB Guarantee		63	24,910,822	82,426,892		2,354	512
SMB Spark		6	448,000	1,078,020		9	41
FAIRE and Gov't Mandates		7	10,450,000	132,147,600		1,406	459
Total	4.6%	76	35,808,822	215,652,512	4.0%	3,769	1,012
Côte-Nord (3)							
SMB Guarantee		4	1,287,920	6,774,599		242	51
SMB Spark		—	—	—		—	—
FAIRE and Gov't Mandates		2	18,300,001	191,400,000		67	150
Total	3.0%	6	19,587,921	198,174,599	4.0%	309	201

Administrative Region and Program Category	Investments made in Québec in 2000 (%) ⁽¹⁾	Number of Financing Operations	Value (\$)		Investments Supported by Investissement Québec (%) ⁽²⁾	Number of Jobs ⁽³⁾	
			Financing	Projects ⁽⁴⁾		Existing	New
Estrie (6)							
SMB Guarantee		29	8,259,460	28,811,142		577	200
SMB Spark		12	904,477	3,409,802		61	69
FAIRE and Gov't Mandates		16	37,647,800	368,589,445		2,367	2,262
Total	4.0%	57	46,811,737	400,810,389	7.7%	3,005	2,531
Gaspésie-Îles-de-la-Madeleine (9)							
SMB Guarantee		7	1,508,199	5,745,100		185	85
SMB Spark		6	285,062	873,761		17	31
FAIRE and Gov't Mandates		2	4,600,000	9,657,000		—	756
Total	0.5%	15	6,393,261	16,275,861	0.3%	202	872
Lanaudière (3)							
SMB Guarantee		18	6,692,279	19,648,991		367	213
SMB Spark		3	243,200	1,595,495		19	22
FAIRE and Gov't Mandates		3	2,461,080	29,656,000		237	222
Total	3.6%	24	9,396,559	50,900,486	0.9%	623	457
Laurentides (4)							
SMB Guarantee		32	12,636,505	47,612,820		1,285	571
SMB Spark		11	816,000	1,503,111		82	84
FAIRE and Gov't Mandates		6	11,175,000	129,550,721		446	350
Total	7.5%	49	24,627,505	178,666,652	3.0%	1,813	1,005
Laval (2)							
SMB Guarantee		30	7,963,875	31,574,839		536	269
SMB Spark		6	464,152	1,348,347		26	38
FAIRE and Gov't Mandates		8	5,688,000	55,998,000		494	747
Total	3.6%	44	14,116,027	88,921,186	1.3%	1,056	1,054
Mauricie (7)							
SMB Guarantee		10	1,532,876	4,160,296		296	139
SMB Spark		6	388,000	1,558,368		9	28
FAIRE and Gov't Mandates		3	33,000,000	466,215,000		650	488
Total	3.2%	19	34,920,876	471,933,664	9.6%	955	655
Montérégie (2)							
SMB Guarantee		79	29,098,343	96,566,871		2,749	928
SMB Spark		17	1,240,000	2,943,200		74	103
FAIRE and Gov't Mandates		18	34,319,500	308,731,219		1,088	2,087
Total	16.2%	114	64,657,843	408,241,290	7.1%	3,911	3,118
Montréal (7)							
SMB Guarantee		182	85,280,046	269,806,858		5,794	2,508
SMB Spark		32	2,591,999	6,819,984		134	220
FAIRE and Gov't Mandates		54	290,341,225	1,940,795,544		8,650	6,839
Total	27.4%	268	378,213,270	2,217,422,386	40.5%	14,578	9,567

Administrative Region and Program Category	Investments made in Québec in 2000 (%) ⁽¹⁾	Number of Financing Operations	Value (\$)		Investments Supported by Investissement Québec (%) ⁽²⁾	Number of Jobs ⁽³⁾	
			Financing	Projects ⁽⁴⁾		Existing	New
Nord-du-Québec (0)							
SMB Guarantee		19	6,233,499	11,120,500		340	2
SMB Spark		—	—	—		—	—
FAIRE and Gov't Mandates		1	8,200,000	116,500,000		607	—
Total	0.5%	20	14,433,499	127,620,500	2.6%	947	2
Outaouais (4)							
SMB Guarantee		23	4,800,557	19,520,313		247	181
SMB Spark		1	40,000	96,600		1	2
FAIRE and Gov't Mandates		1	450,000	6,000,000		—	50
Total	3.0%	25	5,290,557	25,616,913	0.2%	248	233
Saguenay–Lac-Saint-Jean (7)							
SMB Guarantee		31	11,920,168	36,396,134		1,444	357
SMB Spark		7	580,000	2,691,135		75	45
FAIRE and Gov't Mandates		5	63,909,500	474,259,026		221	267
Total	8.1%	43	76,409,668	513,346,295	10.4%	1,740	669
Total – SMB Guarantee		644	232,443,312	767,271,164		19,905	6,992
Total – SMB Spark		138	10,545,690	31,047,045		583	862
Total – FAIRE and Gov't Mandates		147	559,629,106	4,593,595,811		20,403	
Grand Total	100.0%	929	802,618,108	5,391,914,020	100.0%	40,891	24,228

(1) 2000 represents the calendar year.

(2) Depending on the plan provided by the companies, project implementation and job creation are spread over a maximum period of three years.

(3) This percentage represents the share of capital expenditure. It therefore includes the following programs: Production and Alliance, Investor Immigrant, Coop Guarantee, SMB Spark, Social Economy Guarantee, FAIRE and government mandates.

(4) The figures in parentheses represent a regional disparity rating that may vary from 0 to 10. The higher the rating, the more disadvantaged the region is in relation to the Québec average.

Projects under the SMB Spark program were found in 15 of the 17 regions. As for the SMB Guarantee and FAIRE and Government Mandates programs, projects were authorized in each of the 17 regions.

In certain regions, the percentage of projects supported by Investissement Québec is higher than the percentage of projects implemented compared with the rest of Québec. An example is Centre-du-Québec, where investments supported by the Corporation are equivalent to 1.4 times the region's overall investments. The ratios elsewhere are as follows: 1.9 times in Estrie, 3 in Mauricie, 1.5 in Montréal and 1.3 in Saguenay–Lac-Saint-Jean. Over time, Investissement Québec could help reduce regional disparities.

Furthermore, these regions all have a high disparity rating: 8 for Centre-du-Québec, 6 for Estrie, 7 for Mauricie, 7 for Montréal and 7 for Saguenay–Lac-Saint-Jean. This rating, assigned by Investissement Québec, indicates that these regions have a lower employment rate, a higher proportion of income security claimants, or a lower per capita income than the Québec average.

PARTICIPATION IN THE GASPÉSIE RECOVERY PLAN

Investissement Québec authorized 15 financing operations under various programs, including SMB Guarantee (7), SMB Spark (6) and FAIRE and Government Mandates (2), in the region of Gaspésie-Îles-de-la-Madeleine. These projects valued at over \$16 million will create 872 jobs in the region.

During the implementation of the Gaspésie Recovery Plan, Investissement Québec was solicited for two reasons: to produce financial opinions and analyze files submitted under the program to support economic projects in Gaspésie (PSPE). In all, 11 projects valued at \$11 million received financial support during the past fiscal year. Investissement Québec also played a major role within the Fonds de développement touristique de la Gaspésie.

PROMOTION AND PROSPECTING IN QUÉBEC AND ABROAD

In 2000-2001, Investissement Québec took a wide range of initiatives to present its programs and services to companies established in Québec and abroad. These promotion and prospecting efforts will certainly have an impact on the number of new files over the medium term.

In terms of foreign investments, Investissement Québec organized 565 prospecting, promotion, networking and hosting activities, representing 79% more than the 316 activities anticipated at the beginning of the year.

Main Promotion and Networking Activities:

- Berlin and Farnborough air shows
- Bio Japan 2000
- Bio Contact – Québec
- Congress of the American Economic Development Council – Dallas
- Premier's missions to Chile, the United States (Wisconsin) and Italy
- Connections 2000 – Toronto
- Calbio Summit 2000 – San Diego
- Congress of the International Development Research Council – Orlando
- Team Canada – China
- World Economic Forum – Davos
- International Business Communications' World Congress – San Diego

Promotion and Prospecting Activities Among Foreign Investors, 2000-2001

	Objectives	Achievements
Promotion and networking activities	26	46
Prospecting activities	153	164
Missions to Québec by potential foreign investors	137	355
Sub-total	316	565
Meetings with new companies	785	934

In terms of promotion, the Corporation organized 70 press conferences to announce investment projects in Québec, issued 122 press releases and handled more than 130 inquiries from the print and electronic media. Thanks to these intense media activities, the Corporation received more than 1,200 neutral or favourable mentions in different media. Similarly, the President and Chief Executive Officer of Investissement Québec held an information tour covering several regions of Québec – Abitibi-Témiscamingue, Chaudière-Appalaches, Island of Montréal (East and West), Estrie, Laurentides, Outaouais, Capital Area – to explain the Corporation's programs and take stock of its three years of operation.

Investissement Québec has developed a communication and marketing plan to raise Québec's profile among investors and to support its prospecting activities. It relies on an integrated communication strategy: participation in international events taking place in Québec or abroad, promotional tools, media plan, speeches, media relations, public relations and sponsorships.

This strategy and the regular release of data on the Québec economy allowed the Corporation to enjoy good coverage in the media:

- In the fall, the U.S. magazine *Area Development* published a report on dynamic companies located in Québec.
- The U.S. magazine *Site Selection* devoted a special issue to Québec. This issue, which appeared in November, was distributed at the annual congress of the International Development Research Council (IRDC).
- The November issue of the electronic newsletter *MS NBC* painted a very favourable picture of the Montréal area, with particular emphasis on its vibrant new technology sector.
- The British magazine *Corporate Location* presented a glowing 12-page report on Québec in its December issue.
- In its December 4 issue, the magazine *Aviation Week* presented a report on the Québec aerospace industry.
- In January, the monthly publication *US Industry Today* published a long report on Québec's competitive advantages.
- The British magazine *World Link* featured Québec prominently in a report on Canada that appeared in the issue distributed at the World Economic Forum in Davos.
- The magazine *Global Logistics* covered Québec's industrial infrastructures, while *Business Facilities and Expansion Management* dealt with Québec's biopharmaceutical sector in its April 2001 issue.

FUTURE OUTLOOK

The number of financing applications at the initial interview stage and under examination as at March 31, 2001 only gives an indication of Investissement Québec's potential clients, with many more coming from contacts established during numerous promotion and prospecting activities.

Financing Applications

As at March 31, 2001, 563 new financing applications were at the initial interview stage or under examination, broken down as follows: 121 applications for financing of tax credits and lines of credit, and 442 investment applications covering all programs. Compared with March 31, 2000, the number of tax credit and line of credit financing applications under examination declined by 15%, while the number of investment applications for all programs rose by 2.5%. If this trend holds, long-term financing should increase next year.

Prospecting Activities Abroad

Through various prospecting activities undertaken during the fiscal year, Investissement Québec was able to meet with 934 new companies. Presently, 580 applications from foreign companies are being examined and could translate into investments in Québec over the medium or long term.

ECONOMIC PROFITABILITY

The collective enrichment of Québec society is not based entirely on increasing the net earnings of companies. Increasing employment, the level of economic activities and revenue for the government as well as reducing the cost of income security programs are all factors that help improve the well-being of Quebecers. The data contained in Investissement Québec's financial statements do not reflect changes in these elements.

If Investissement Québec were to rely strictly on its profitability objectives, it could limit itself to projects that represent no risk or cost to the government. If it behaved like a conventional financial-institution, it would not intervene in risky areas such as exports, research and development or the establishment of companies, nor would it administer financing products to compete with other government agencies outside Québec. Its contribution to the development of society would then be negligible.

In keeping with its mission, Investissement Québec must complement the actions of private-sector financial institutions. This is why it assists companies that wish to carry out projects whose financial structure exceeds the risk threshold accepted by financial institutions, and sometimes supports projects that would otherwise be implemented outside Québec. However, Investissement Québec ensures that its actions generate a net gain for the Québec economy.

ECONOMIC PROFITABILITY RATIO

Investissement Québec systematically evaluates the impact of the projects it finances. In 2000-2001, the Corporation financed projects worth nearly \$5.4 billion. According to projected sales, companies supported expect to create 24,228 jobs over the next three years. These new jobs will generate a net increase in employment for the Quebec economy. However, this report does not take this impact into account.

Firstly, Investissement Québec's model evaluates the impact related to the expansion or construction of buildings, manufacture and installation of machinery, which mainly generate activities in the construction and machinery manufacturing industries. According to the estimate established using the input-output model, the economic impact related to assets financed by the Corporation represents a workload of 38,669 person-years. Engineers, architects, construction workers and technicians will generate \$364.7 million in tax and incidental tax revenue for the Québec government.

Secondly, Investissement Québec analyzes the impact of increased sales related to these assets. For the current fiscal year, the total sales of 77% of client companies¹³ were over \$38.7 billion. According to the input-output evaluation model, achieving these sales requires a workload of 375,475 person-years. For their part, these workers will generate more than \$3.2 billion in various forms of revenue for the government.

Investissement Québec does not claim full credit for the impact of its clients' activities, but only the marginal contribution related to its activities. The attribution model is used to evaluate projects whose financial structure exceeds the risk threshold of lending institutions, or projects that would otherwise be implemented outside Québec. In both cases, the model only takes into account the results of companies whose projects generate a net gain for the Québec economy. The result of these operations is used to evaluate the share of the impact attributable to the Corporation's activities.

From the overall evaluations and according to the share of the impact attributable to Investissement Québec, total revenue from the implementation of projects is estimated at \$137 million or 38%, while total revenue related to sales is estimated at \$552 million or 17%. The grand total of \$690 million represents the benefit that the government derives from Investissement Québec's activities.

13. Does not include clients of the Business Start-Up Investment program, for which a survey approach is used.

**Tax and Incidental Tax Revenue Attributable to
Investissement Québec, 2000-2001⁽¹⁾**

Projects	137.1 (\$M)
Portfolio	552.4 (\$M)
Total	689.5 (\$M)
Costs	147.2 (\$M)
Ratio	4.68/1

Source: Investissement Québec

(1) The methodology used is described in Appendix 1.

A comparison of the tax and incidental tax revenue attributable to Investissement Québec with its costs shows a cost-benefit ratio of 4.68/1. This ratio indicates that the Québec government collected \$4.68 in tax and incidental tax revenue from Investissement Québec's activities for each dollar it cost to run the Corporation.

PROJECT EVALUATION

The evaluation of the impact of projects financed by Investissement Québec during the year focuses on capital, innovation, export or growth working capital projects with a total value of \$4.8 billion. Financing offers on which companies did not proceed as at March 31, 2001, as well as financing of export sales, are excluded from this evaluation.¹⁴

Summary of Impact of Projects Financed

	2000-2001	1999-2000
Projects	4,811 (\$M)	3,426 (\$M)
Economic impact		
Jobs (person-years)	38,669	33,135
Value added	2,153 (\$M)	1,768 (\$M)
Québec government revenue	365 (\$M)	311 (\$M)
Portion attributable to Investissement Québec	137 (\$M)	93 (\$M)

Source: Institut de la statistique du Québec

Under the methodology used, the total amount of investments rose by 40% compared with the previous fiscal year, from \$3.4 billion to \$4.8 billion. Jobs and value added attributable to projects financed were up 17% and 22% respectively, resulting in a 17% jump in revenue for the Québec government. In addition, the portion of the impact attributable to Investissement Québec's activities is evaluated at \$137 million, representing 38% of revenue that the Québec government will reap from these projects.

14. The methodology used is described in Appendix 1.

RESULTS BY PROGRAM OR PROGRAM SEGMENT

The table below indicates that projects financed under the FAIRE program cost a total of \$3.9 billion, compared with \$2.8 billion in 1999-2000, the largest increase in volume (\$1.1 billion). Proportionately speaking, the amounts invested under the government mandates (multiplied by 29) and those for the consolidation (multiplied by 8) and tourism (+94%) segments showed the biggest increase from a year ago. In addition, five programs or program segments were added this year: the Growth Working Capital Fund, the Adjustment Working Capital Fund, the Experimentation Measure, the Investor Immigrant program and the SMB Spark program.

Economic Impact of Projects Financed by Program or Program Segment, 2000-2001

Program or Program Segment	Cost of Projects (\$M)	Number of Jobs ⁽¹⁾	Value Added ⁽²⁾ (\$M)	Québec Government Revenue ⁽³⁾ (\$M)
FAIRE	3,902.0	24,830	1,493.0	255.3
SMB Guarantee:				
Cooperatives	35.4	435	25.6	4.0
Social Economy	59.9	733	40.4	8.4
Exports	99.0	1,268	84.9	8.8
Growth Working Capital Fund	6.2	82	4.6	0.7
Adjustment Working Capital Fund	2.1	21	1.4	0.2
Investment	135.2	1,690	79.2	12.8
Experimentation Measure	16.2	254	13.9	2.0
Research and Development	332.7	6,145	266.0	41.7
Consolidation	16.1	260	12.6	1.7
Tourism	9.9	144	6.7	1.2
SMB Spark	28.8	335	18.2	2.8
Investor Immigrant	1.1	10	0.5	0.1
Government mandates	167.1	2,091	111.6	23.7

Sources: Investissement Québec and Institut de la statistique du Québec.

(1) Workload, in person-years, required for project implementation.

(2) Measure of the level of change made by companies with respect to raw materials and components (Québec content) related to the implementation of projects financed by the Corporation.

(3) Tax (income tax and other taxes) and incidental tax (CSST, HSF and QPP).

RESULTS BY SECTOR

The table below shows that, as was the case during the 1998-1999 fiscal year, the pulp and paper sector took the lion's share of investments this year with \$928 million (19%), followed by chemical industries with \$867 million (18%), wood products with \$606 million (13%) and various services with \$482 million (10%). Corporate services, which rank fifth with 9% of investments this year, had the largest share (17%) in 1999-2000.

Economic Impact of Projects by Sector, 2000-2001

Sector	Cost of Projects (\$M)	Number of Jobs ⁽¹⁾	Value Added ⁽²⁾ (\$M)	Québec Government Revenue ⁽³⁾ (\$M)
Primary	59.6	283	19.0	2.9
Secondary				
Food and beverage	121.9	912	49.1	9.0
Rubber and plastic	108.2	707	39.4	6.7
Leather industry	1.5	7	0.4	0.1
Textile products and textile (primary processing)	233.2	1,202	65.3	11.7
Clothing	24.9	368	18.2	2.3
Wood products	605.8	3,582	200.8	36.4
Furniture	11.9	118	6.2	1.0
Paper	928.0	5,802	446.6	63.6
Printing	33.5	242	12.4	2.3
Metals (primary processing)	14.8	116	6.5	1.2
Metal products	160.5	1,499	78.3	13.2
Machinery	33.7	439	22.0	3.4
Transportation equipment	116.9	1,107	53.2	9.6
Electrical and electronic products	380.9	3,150	165.7	26.6
Non-metallic mineral products	6.0	67	3.5	0.6
Chemical industries	866.5	3,343	200.3	33.8
Various manufacturing products	134.9	1,122	56.8	9.0
Tertiary				
Various services	481.9	6,724	328.3	68.7
Corporate services	445.9	7,304	353.9	57.4
Lodging	41.1	575	26.8	5.2
Total	4,811.6	38,669	2,152.7	364.7

Sources: Investissement Québec and Institut de la statistique du Québec

(1) Workload, in person-years, required for generation of sales by client companies and their suppliers.

(2) Measure of the level of change made by companies with respect to raw materials and components (Québec content) related to the implementation of projects financed by the Corporation.

(3) Tax (income tax and other taxes) and incidental tax (CSSF, HSF and QPP).

RESULTS BY REGION

As the table below indicates, 72% of investments were carried out in four regions: 46% in the Montréal area (\$2.2 billion), 10% in Mauricie (\$460 million), 8% in Montérégie (\$393 million) and 8% in Estrie (\$371 million). The greatest economic impact was recorded in these four regions.

Economic Impact of Projects by Administrative Region, 2000-2001

Administrative Region	Cost of Projects (\$M)	Number of Jobs ⁽¹⁾	Value Added ⁽²⁾ (\$M)	Québec Government Revenue ⁽³⁾ (\$M)
Abitibi-Témiscamingue	63.0	462	25.3	4.6
Bas-Saint-Laurent	34.2	411	20.2	3.3
Capital Area	156.4	1,635	89.2	13.8
Centre-du-Québec	174.8	1,102	70.5	11.0
Chaudière-Appalaches	198.6	1,650	86.4	14.6
Côte-Nord	198.6	1,163	65.1	12.1
Estrie	370.8	2,626	175.2	26.7
Gaspésie-Îles-de-la-Madeleine	14.7	205	10.4	1.7
Lanaudière	20.3	274	13.7	2.3
Laurentides	178.3	1,687	84.1	14.8
Laval	86.1	762	39.1	6.5
Mauricie	460.0	3,003	218.3	32.4
Montérégie	392.5	3,216	168.1	29.2
Montréal	2,227.2	18,711	992.9	174.8
Nord-du-Québec	127.6	775	42.9	8.1
Outaouais	24.3	380	17.7	3.0
Saguenay-Lac-Saint-Jean	84.2	607	33.5	5.6
Total	4,811.6	38,669	2,152.7	364.7

Sources: Investissement Québec, Institut de la statistique du Québec and Université du Québec à Trois-Rivières.

(1) Workload, in person-years, required for generation of sales by client companies and their suppliers.

(2) Measure of the level of change made by companies with respect to raw materials and components (Québec content) related to the implementation of projects financed by the Corporation.

(3) Tax (income tax and other taxes) and incidental tax (CSST, HSF and QPP).

PORTEFOLIO EVALUATION

The financing portfolio, presented by type of financing product, by sector, by region and by program (SMB Guarantee, FAIRE and ad hoc programs), illustrates Investissement Québec's orientations. The two main types of financing products are loan guarantees and loans. The Corporation's activities cover all sectors and regions. The details of the financing granted by region as well as the regional disparity indices are shown in the section entitled "Financing Granted by Region."

Breakdown of Financing Portfolio by Financing Product as at March 31, 2001

Financing Product	SMB Financing ⁽¹⁾		FAIRE and Related Programs		Ad Hoc Programs		Total	
	Number of Projects	Amount (\$M)	Number of Projects	Amount (\$M)	Number of Projects	Amount (\$M)	Number of Projects	Amount (\$M)
Guarantees	1,267	295	70	341	3,926	68	5,263	704
Loans	771	211	120	576	52	11	943	798
Shares	117	25	10	78	12	2	139	105
Units	9	3	5	19	—	—	14	22
Total	2,164	534	205	1,014	3,990	81	6,359	1,629

(1) Includes the SMB Guarantee, SMB Spark and Recyc-Québec programs.

Breakdown of Financing Portfolio by Sector as at March 31, 2001

Sector	SMB Financing ⁽¹⁾		FAIRE and Related Programs		Ad Hoc Programs		Total	
	Number of Projects	Amount (\$M)	Number of Projects	Amount (\$M)	Number of Projects	Amount (\$M)	Number of Projects	Amount (\$M)
Primary	60	18	1	25	95	2	156	45
Secondary	1,238	312	172	854	897	26	2,307	1,192
Tertiary	866	204	32	135	2,998	53	3,896	392
Total	2,164	534	205	1,014	3,990	81	6,359	1,629

(1) Includes the SMB Guarantee, SMB Spark and Recyc-Québec programs.

Breakdown of Financing Portfolio by Administrative Region as at March 31, 2001

Administrative Region	SMB Financing ⁽¹⁾		FAIRE and Related Programs		Ad Hoc Programs		Total	
	Number of Projects	Amount (\$M)	Number of Projects	Amount (\$M)	Number of Projects	Amount (\$M)	Number of Projects	Amount (\$M)
Abitibi-Témiscamingue	30	7	2	18	77	1	109	26
Bas-Saint-Laurent	111	25	2	2	164	3	277	30
Capital Area	206	40	11	46	372	7	589	93
Centre-du-Québec	85	18	6	41	143	3	234	62
Chaudière-Appalaches	207	55	6	17	247	5	460	77
Côte-Nord	31	3	3	45	64	1	98	49
Estrie	107	24	14	51	104	2	225	77
Gaspésie-Îles-de-la-Madeleine	56	17	5	1	46	1	107	19
Lanaudière	52	11	1	5	218	4	271	20
Laurentides	111	25	14	165	267	5	392	195
Laval	78	20	2	1	149	3	229	24
Mauricie	63	16	4	91	156	4	223	111
Montérégie	244	60	19	44	694	13	957	117
Montréal	567	152	106	428	986	24	1,659	604
Nord-du-Québec	49	13			13		62	13
Outaouais	65	16	4	21	139	2	208	39
Saguenay-Lac-Saint-Jean	102	32	6	38	151	3	259	73
Total	2,164	534	205	1,014	3,990	81	6,359	1,629

(1) Includes the SMB Guarantee, SMB Spark and Recyc-Québec programs.

EVALUATION OF ECONOMIC IMPACT OF PORTFOLIO

This section describes the main economic impact of the overall activities of companies financed by Investissement Québec between 1998 and 2001¹⁵ and whose file is still administered by the Corporation. The evaluation takes into account the direct and indirect economic impact created by companies that use assets financed (construction of a building, for example) by the Corporation in the regular course of their business.¹⁶

Summary of Impact of Activities of Companies in the Portfolio, 2000-2001

	2000-2001	1999-2000 ⁽²⁾
Sector sales	36,805 (\$M)	28,303 (\$M)
BSIP ⁽¹⁾ sales	1,927 (\$M)	1,760 (\$M)
Total sales	38,732 (\$M)	30,063 (\$M)
Economic impact		
Jobs (person-years)	375,475	245,127
Value added	24,431 (\$M)	19,182 (\$M)
Value added per job	\$65,067	\$78,255
Québec government revenue	3,220 (\$M)	2,297 (\$M)
Portion attributable to Investissement Québec	552 (\$M)	421 (\$M)
Revenue per dollar of support ⁽³⁾	\$2.01	\$2.59

(1) Business Start-up Investment Program (BSIP).

(2) Excluding the BSIP.

(3) The calculation of economic impact in 1999-2000 was adjusted to exclude the activities of companies that benefited from the Canada-Québec Auxiliary Agreement.

Total sales increased by 29% over last year, due primarily to companies that were financed under the FAIRE program. Overall sales of these companies rose by \$5.1 billion, from \$8.77 billion to \$13.88 billion, an increase of 58%. In addition, the total sales of companies financed under the "Export" and "Investment" segments rose significantly: \$1.5 billion for the "Export" segment and \$1.3 billion for the "Investment" segment.

The Québec government collected \$923 million more in tax and incidental tax revenue (increase of 40%); the ratio of Québec government revenue to total financing granted went from \$2.59 to \$2.01. This decrease is partly due to the increase in the size of the sample used to evaluate the economic impact of the activities of companies in the portfolio.

15. Given the time required to produce the financial statements of companies, the data evaluated cover the period from July 1, 1999 to June 30, 2000.

16. The methodology used is described in Appendix 1.

RESULTS BY PROGRAM

The following table shows the economic impact of the portfolio by program. The data (jobs, value added and Québec government revenue) are taken from fourteen programs or program segments administered by Investissement Québec. Since one company can benefit from several programs or segments, the table does not provide the total for each column, because it is artificially higher than those of the ensuing tables of results by sector and by administrative region.

Compared with the previous fiscal year, two segments of the SMB Guarantee program have been added, namely, the Growth Working Capital Fund and Experimentation Measures.

The FAIRE program garnered the largest share of financial support and generated the greatest economic impact in terms of jobs and tax and incidental tax revenue. As for revenue per dollar of support, the highest scores were in the "Ad Hoc 1" (\$3.41) and "Government Mandates" (\$3.04) segments.

The "Investment" segment ranked third, with sales twice as high as those of last year, followed by the "Exports" segment and the "Business Start-up Investment Program".

Economic Impact of Portfolio by Program or Program Segment, 2000-2001⁽¹⁾

Program or Program Segment	Sales or Sales Volumes (\$M)	Financial Support (\$M)		Jobs ⁽²⁾ (Person-Years)		Value Added ⁽³⁾ (\$M)		Québec Government Revenue ⁽⁴⁾ (\$K)		Revenue Per Support Dollar
Government mandates	15,914.2	Total	584.3	Sample ⁽⁵⁾	371.5	Direct	61,381	Indirect	99,384	Total (\$M)
FAIRE	13,881.7		935.4		584.2		104,500		8,438.4	Per Job (\$)
Ad hoc 1	283.3		7.1		7.0		2,350		173.3	Incidental Tax
Ad hoc 2	7.8		0.7		0.7		150		51,605	Tax
Cooperatives	980.7		96.7		94.7		18,356		59,896	659,655
Social economy	78.1		43.5		41.5		618		56,519	3,04
Exports	2,343.2		134.7		123.1		20,042		562,284	1,95
Growth working capital	2.5		1.7		1.7		20		13,768	10,210
Investment	3,032.7		187.4		177.5		17,281		142,844	3.41
Experimentation Measures	64.6		4.7		2.1		812		41,752	338
Research and Development	371.9		53.2		51.6		3,151		390	1.09
Consolidation	267.8		10.6		8.1		1,915		88,124	6,672
Tourism	70.0		23.1		23.0		847		2,693	4,081
Business Start-up Investment ⁽⁶⁾	1,927.0		160.8 ⁽⁷⁾		n/a		27,839		166.3	0.16
							6,502		1,182	116
									48.9	115
									41,382	155
									3,162	0.16
									121,807	0.26
									115,134	n/a

Sources: Investissement Québec and Institut de la statistique du Québec

(1) Excludes government mandates carried out under the Canada-Québec Auxiliary Agreement and the Technology Development Fund, businesses that benefitted from the Tax Credit Financing Program, which has a very short administrative period (1 to 3 years), financing authorized before 1988, and the SMB Re-Start program.

(2) Workload, in person-years, required to achieve sales by client companies and their suppliers.

(3) Measure of the level of changes made by companies with respect to raw materials and components (Québec content) related to sales by client companies and their suppliers.

(4) Tax (income and other taxes) and incidental tax (CSST, HSF and QPP).

(5) For the economic impact evaluation, the companies selected are those that provided their financial statements to Investissement Québec and whose fiscal year ended during the standard reporting period. They constitute what we call the sample.

(6) Estimates as at September 30, 2000 (date when the survey on the economic impact of the program was conducted).

(7) Value of loan guarantees for companies still in business.

RESULTS BY SECTOR

The transportation equipment sector remains the strongest this year, with sales of \$13.23 billion, representing 36% of the portfolio. As the table below shows, the five other major sectors of the portfolio account for 38% of total sales: electrical and electronic products (\$4.71 billion), paper (\$3.27 billion), corporate services (\$2.64 billion), refined oil products, coal and chemical industries (\$1.80 billion) and various services (\$1.71 billion).

Economic Impact of Portfolio by Sector, 2000-2001⁽¹⁾

Economic Activity Sector	Sales	Financial Support		Jobs ⁽²⁾		Value Added ⁽³⁾		Québec Government Revenue ⁽⁴⁾ (\$K)	
	(\$M)	Total	Sample ⁽⁵⁾	Direct	Indirect	Total	Total (\$M)	Per Job (\$)	Incidental Tax
Primary	528.8	67.1	66.6	12,499	1,992	14,490	434.7	30,002	37,264
Secondary									24,277
Food and beverage	1,318.5	78.0	67.2	5,935	6,977	12,912	729.0	56,457	48,576
Rubber and plastic	362.7	35.9	29.1	1,896	952	2,848	203.4	71,429	13,025
Leather industry	14.6	2.8	2.8	253	35	288	9.9	34,380	744
Textile products and textile (primary processing)	1,034.2	66.6	59.2	5,053	2,869	7,922	433.8	54,766	35,348
Clothing	347.4	37.9	31.3	3,656	1,393	5,049	218.9	43,343	15,980
Wood products	1,917.8	155.9	103.6	8,705	9,773	18,477	1,331.2	72,046	91,193
Furniture	505.6	20.8	17.7	5,343	1,683	7,026	355.1	50,540	29,665
Paper	3,270.6	239.4	151.9	9,870	15,253	25,123	2,180.4	86,787	128,227
Printing	117.0	11.5	10.5	871	452	1,323	86.3	65,177	5,670
Metals (primary processing)	800.4	68.2	55.5	1,961	2,923	4,884	441.4	90,367	24,157
Metal products	1,087.8	65.7	63.0	8,266	2,932	11,198	670.4	59,864	52,867
Machinery	308.6	32.6	28.8	1,938	748	2,686	194.2	72,297	13,236
Transportation equipment	13,228.3	420.0	292.7	55,770	25,744	81,513	8,024.9	98,449	383,059
Electrical and electronic products	4,706.7	94.8	83.4	18,907	11,229	30,135	2,157.3	71,586	131,526
Non-metallic mineral products	116.1	8.6	5.7	869	382	1,251	85.3	68,212	5,701
Refined oil, coal and Chemical industries	1,799.0	118.1	43.9	5,335	4,694	10,029	1,021.1	101,815	47,666
Various manufacturing Industries	949.0	45.5	41.1	6,666	3,204	9,870	560.5	56,788	37,899
Tertiary									37,347
Various services	1,708.0	310.1	192.8	21,489	6,588	28,077	1,337.4	47,634	127,977
Corporate services	2,637.1	181.3	120.1	57,684	7,049	64,733	2,388.5	36,897	178,028
Food service and lodging	46.4	22.2	19.9	1,134	165	1,299	38.5	29,630	2,707
Total	36,804.5	2,083.0	1,486.6	234,098	107,036	341,134	22,902.0	67,135	1,410,515
									1,572,489

Source: Investissement Québec and Institut de la statistique du Québec

(1) Excluding the Business Start-up Investment Program.

(2) Workload, in person-years, required to achieve sales by client companies and their suppliers.

(3) Measure of the level of changes made by companies with respect to raw materials and components (Québec content) related to sales by client companies and their suppliers.

(4) Tax (income and other taxes) and incidental tax (CSST, HSF and OPP).

(5) For the economic impact evaluation, the companies selected are those that provided their financial statements to Investissement Québec and whose fiscal year ended during the standard reporting. They constitute what we call the sample.

RESULTS BY REGION

The following table shows that companies in the portfolio located in the Montréal area and Montérégie achieved sales of \$21.83 billion and \$4.96 billion, respectively, representing 73% of the total sales posted by companies in the portfolio.

Abitibi-Témiscamingue ranks third, with sales of \$2.47 billion (7%). It should be noted that the sales figures for companies in Abitibi-Témiscamingue were much lower in 1999-2000 (\$30 million); in fact, only a portion of the companies of this region were included in the sample used to calculate the economic impact, whereas all companies in the region are taken into account this year.

Montréal also leads the pack in terms of economic impact, followed by Montérégie and Abitibi-Témiscamingue.

Lastly, with respect to value added per job, Abitibi-Témiscamingue and Côte-Nord rank first and second, followed by Centre-du-Québec, while Montréal and Laval are in a tie for fourth spot.

Economic Impact of Portfolio by Administrative Region, 2000-2001⁽¹⁾

Administrative Region	Sales or Sales Volumes (\$M)	Financial Support (\$M)		Jobs ⁽²⁾ (Person-years)		Value Added ⁽³⁾		Québec Government Revenue ⁽⁴⁾ (\$K)	
	Total	Sample ⁽⁵⁾	Direct	Indirect	Total	Total (\$M)	Per Job (\$)	Incidental Tax	Tax
Abitibi-Témiscamingue	2,467.3	25.5	25.5	8,596	12,168	20,764	1,672.3	80,540	104,480
Bas-Saint-Laurent	367.9	44.3	41.0	2,433	1,623	4,056	251.1	61,918	17,680
Capital Area	836.0	164.7	89.6	6,069	3,264	9,333	560.3	60,034	40,476
Centre-du-Québec	708.9	67.1	57.7	3,232	2,788	6,020	432.6	71,870	28,665
Chaudière-Appalaches	1,313.3	80.4	73.1	8,515	4,801	13,317	825.8	62,010	57,068
Côte-Nord	254.8	69.0	53.7	932	932	1,865	145.2	77,856	8,683
Estrie	925.3	131.8	128.4	6,423	3,580	10,003	625.1	62,494	43,965
Gaspésie-Îles-de-la-Madeleine	88.8	21.4	18.4	888	464	1,351	57.0	42,178	4,125
Lanaudière	149.0	16.8	15.9	964	548	1,513	98.5	65,110	7,124
Laurentides	1,213.0	96.4	87.1	9,207	4,362	13,570	841.0	61,978	58,404
Laval	388.7	36.6	29.9	1,942	1,258	3,200	227.9	71,226	13,779
Mauricie	235.6	46.0	45.1	2,037	719	2,756	156.7	56,855	11,163
Montérégie	4,958.7	194.1	159.1	32,083	16,267	48,349	2,861.8	59,191	213,206
Montréal	21,827.9	932.0	561.7	137,764	49,884	187,646	13,365.8	71,228	742,663
Nord-du-Québec	45.5	24.2	24.2	605	174	779	35.2	45,183	3,486
Outaouais	227.8	46.2	26.1	1,383	970	2,353	156.7	66,578	10,176
Saguenay-Lac-Saint-Jean	796.0	86.7	50.1	11,025	3,234	14,259	589.0	41,304	45,372
Total	36,804.5	2,083.0	1,486.6	234,098	107,036	341,134	22,902.0	67,135	1,410,515
									1,572,489

Sources: Investissement Québec, Institut de la statistique du Québec and Université du Québec à Rimouski

(1) Excluding the Business Start-up Investment Program.

(2) Workload, in person-years, required to achieve sales by client companies and their suppliers.

(3) Measure of the level of changes made by companies with respect to raw materials and components (Québec content) related to sales by client companies and their suppliers.

(4) Tax (income and other taxes) and incidental tax (CSST, HSF and QPP).

(5) For the economic impact evaluation, the companies selected are those that provided their financial statements to Investissement Québec and whose fiscal year ended during the standard reporting. They constitute what we call the sample.

EXTERNAL EXPERTS' ANALYSIS¹⁷

With total sales of \$22.9 billion, the companies that make up the portfolio sample¹⁸ related to government mandates, Garantie Québec and ad hoc programs enabled the Québec economy to generate \$14.5 billion in added value and to support 192,000 jobs, of which 129,600 were direct jobs. Large companies that took advantage of the financing of major projects under government mandates accounted for 52% of the economic impact in terms of jobs, and 66% of the impact in terms of total value added.

For their part, large companies under the FAIRE program posted sales of \$13.9 billion, helping maintain 149,000 jobs and produce a total value added of over \$8.4 billion.

In general, large companies supported under the financing of priority projects segment (FAIRE and government mandates) continued to meet Investissement Québec's expectations. These companies operate largely in the transportation equipment and pulp and paper sectors. Due to its importance, the transportation equipment sector alone, through its exceptional performance, accounts for a large portion of the profits realized by companies in the sample. However, the corporate services sector posted huge losses, but made a significant contribution in terms of jobs, value added and tax revenue.

The objectives of the regular Garantie Québec program are varied and its different segments are geared primarily to small and medium-sized businesses that, during their start-up and development phases, are somewhat more dependent on Investissement Québec's financial assistance than large companies. The value of financial support increased everywhere, except for the Investment Assistance segment, which nevertheless remains the most important. For its part, the Social Economy segment showed the strongest rate of increase.

The two main segments of this program, Investment Assistance and Exports, show good profit ratios. The Cooperative and Tourism Assistance segments show a lower profit ratio and a tax revenue indicator that is way below the average. The performance of companies in the Research and Development segments continued to be weak in this regard. However, this segment often supports young companies whose profitability must be evaluated over a longer term.

Montréal and Montérégie are largely responsible for the regional economic impact generated, with their companies posting sales of \$26.8 billion or 72.8% of the sales of companies in the portfolio. However, it should be noted that these two regions obtained 54% of the total financial assistance provided by Investissement Québec and 48.5% of the assistance for the sample, which is comparable to their demographic and economic weight. With respect to programs, the Investment Assistance and Export segments of Garantie Québec are well established in all regions and the Cooperative segment is particularly active in Saguenay–Lac-Saint-Jean and Nord-du-Québec.

In conclusion, through the diversity of its operations and the large number of companies it supports, Investissement Québec, with financial support of \$2.1 billion, has become a key component of Québec's economic development and plays a major role in maintaining and creating jobs in all regions of the province.

17. Yves Dion and Régis Fortin, *Analyse des retombées économiques du portefeuille des interventions d'Investissement Québec 1999-2000*, June 2001.

18. For the purpose of evaluating the economic impact, the companies selected are those that provided their financial statements to Investissement Québec and whose fiscal year ended during the standard reporting period. These companies comprise what we call the sample.

SERVICE QUALITY

To fulfil its mission, Investissement Québec must be particularly attentive to the quality of its customer service. This is why it systematically sounds out every new client and its financial partners to determine their level of satisfaction. At the same time, it also uses a management indicator to continuously measure its file processing times, according to the objectives set by management.

CLIENT SATISFACTION

Investissement Québec is committed to providing quality service and meeting the specific needs of each client. In this regard, it assesses the level of satisfaction of financed companies and partner financial institutions using a written questionnaire.

Several changes were made this year to improve the evaluation of client satisfaction. For example, the questionnaire sent to companies was revised so that it can be sent to the Corporation's partner financial institutions.

Between March 31, 2000 and March 9, 2001, the questionnaire was sent to 689 client companies and 511 partner financial institutions. On April 15, 2001, the response rate was 46% for client companies and 56% for financial institutions.

The following table indicates the satisfaction rate according to five aspects evaluated and shows that 93% of companies and 96% of financial institutions are satisfied with Investissement Québec's services. In 1999-2000, when only client companies were surveyed, the satisfaction rate stood at 91%.

Satisfaction Rate⁽¹⁾

	2000-2001		1999-2000
	Client Companies	Financial Institutions	Client Companies
Reception	95%	98%	n/a
Professionalism and competence	96%	98%	92%
Adaptability and flexibility	93%	97%	90%
Processing time	92%	94%	84%
Accessibility and visibility of IQ	90%	94%	89%
General satisfaction ⁽²⁾	93%	96%	91%

(1) Proportion of "somewhat satisfied" and "very satisfied" respondents.

(2) For all aspects evaluated.

According to the clients surveyed, professionalism and competence, as well as adaptability and flexibility are the most important service elements, followed closely by file processing time. For their part, financial partners insist more on professionalism and competence in assessing Investissement Québec's service.

The information gathered also shows that, without Investissement Québec's assistance, 36% of client companies would not have carried out their project and that 25% of them would have deferred their project to a later date.

PROCESSING TIME

During the year, the Corporation continued its efforts to improve its file processing time. As the table below shows, processing times fell by 9%, 16% and 17%, depending on the type of financing, compared with a year ago.

Average Processing Time During the Six Months Prior to March 31, 2001

	Goal (days) ⁽¹⁾	March 31, 2001 (days) ⁽²⁾	March 31, 2000 (days) ⁽³⁾	Change 2000 - 2001
SMB Guarantee				
Long-term financing ⁽²⁾	50	21	25	-16%
Short-term financing ⁽²⁾	50	10	11	-9%
FAIRE	85	130	156	-17%

(1) Compilation in calendar days.

(2) Includes the Production and Alliance, Development (Innovation), Marketing (Exports), Cooperative and Non-Profit Organization segments.

(3) Includes lines of credit and tax credits.

MANAGEMENT

Investissement Québec manages its human, financial and physical resources in a transparent, efficient and effective manner, in keeping with its values. To this end, it has a number of management tools that it improves continuously.

MANAGEMENT

CORPORATE GOVERNANCE AND ORGANIZATIONAL STRUCTURE

Board of Directors

The Board of Directors of Investissement Québec is made up of 11 members, including the President and Chief Executive Officer of the Corporation. The members of the Board are appointed by the government and are drawn from the business community, cooperatives, unions and government circles.

Responsibilities of the Board of Directors

The Board of Directors ensures that the Corporation's business is properly administered. In fulfilling its mandate, it relies on the principles of sound management and corporate governance to ensure that the Corporation carries out its activities in the best interest of the government, its clients, employees and partners.

These principles deal with ethics, strategic management, business risk management, control of operations and communication.

The Board uses several tools developed in collaboration with Management to carry out its administrative responsibilities, including:

- the strategic plan, which contains the Corporation's mission, vision and major orientations;
- the three-year business plan, which sets out the objectives and strategies for implementing the major orientations;
- the Corporation's communication policy;
- periodic operating reports, including the financial statements, which present its results in relation to the orientations and objectives contained in its plans.

The Board has established committees that draw on the competence and experience of its members to assist it in its responsibilities.

The Executive Committee assumes a portion of the Board's decision-making powers with respect to the approval of financing proposals. The Audit Committee assists the Board in monitoring how Management fulfills its responsibilities concerning financial information and the quality of internal controls.

Board of Directors of Garantie Québec

The Board of Directors of Garantie Québec is made up of the members of the Board of Investissement Québec. It basically serves as a credit committee for programs managed by Garantie Québec.

Board of Directors of IQ Immigrants Investisseurs inc.

The Board of Directors of IQ Immigrants Investisseurs inc., a subsidiary created in June 2000, is made up of representatives of Investissement Québec and other organizations, including the Ministère des Relations avec les citoyens et de l'Immigration and the Ministère des Finances. The Board ensures that the business of the subsidiary is properly administered, by relying on the principles of sound management and corporate governance. This business consists in coordinating the collection, management and investment of monies from investor immigrants, allocating income from these investments, and administering a financial assistance program using this investment income, in partnership with financial intermediaries.

Administrative Units

The Office of the Vice-President, Strategic Development oversees the Corporation's strategic development and establishes the major orientations and business objectives of the Corporation as well as the means of action to be adopted.

The Office of the Executive Vice-President and Senior Management of Garantie Québec manages complementary financing programs offered to small and medium-sized businesses.

The Office of the Vice-President, Financial and Tax Incentives and Specialized Financing manages incentive programs for the projects of small and medium-sized businesses and operations related to the Act respecting Québec Business Investment Companies (QBIC). It also administers the fiscal measures that used to be under the responsibility of the Bureau de la nouvelle économie.

The Office of the Vice-President, Investment Promotion and Prospecting manages the government's strategy vis-à-vis foreign businesses or subsidiaries of foreign businesses established in Québec: promotion, prospecting, hosting and coordination.

The Office of the Vice-President, Communications and Marketing establishes the Corporation's orientations regarding communications and marketing, defines the positioning of Québec abroad and the positioning of Investissement Québec in Québec, and manages communication, marketing and promotional support activities.

The Office of the Vice-President, Administration and Services plans, directs and coordinates general services: evaluation of Investissement Québec's performance, management of information systems, human resources and training, accounting and treasury, budget and physical resources.

The Office of the General Secretary and Vice-President, Legal Services, provides legal expertise and organizes the activities of the boards of directors and their committees.

Management Committee

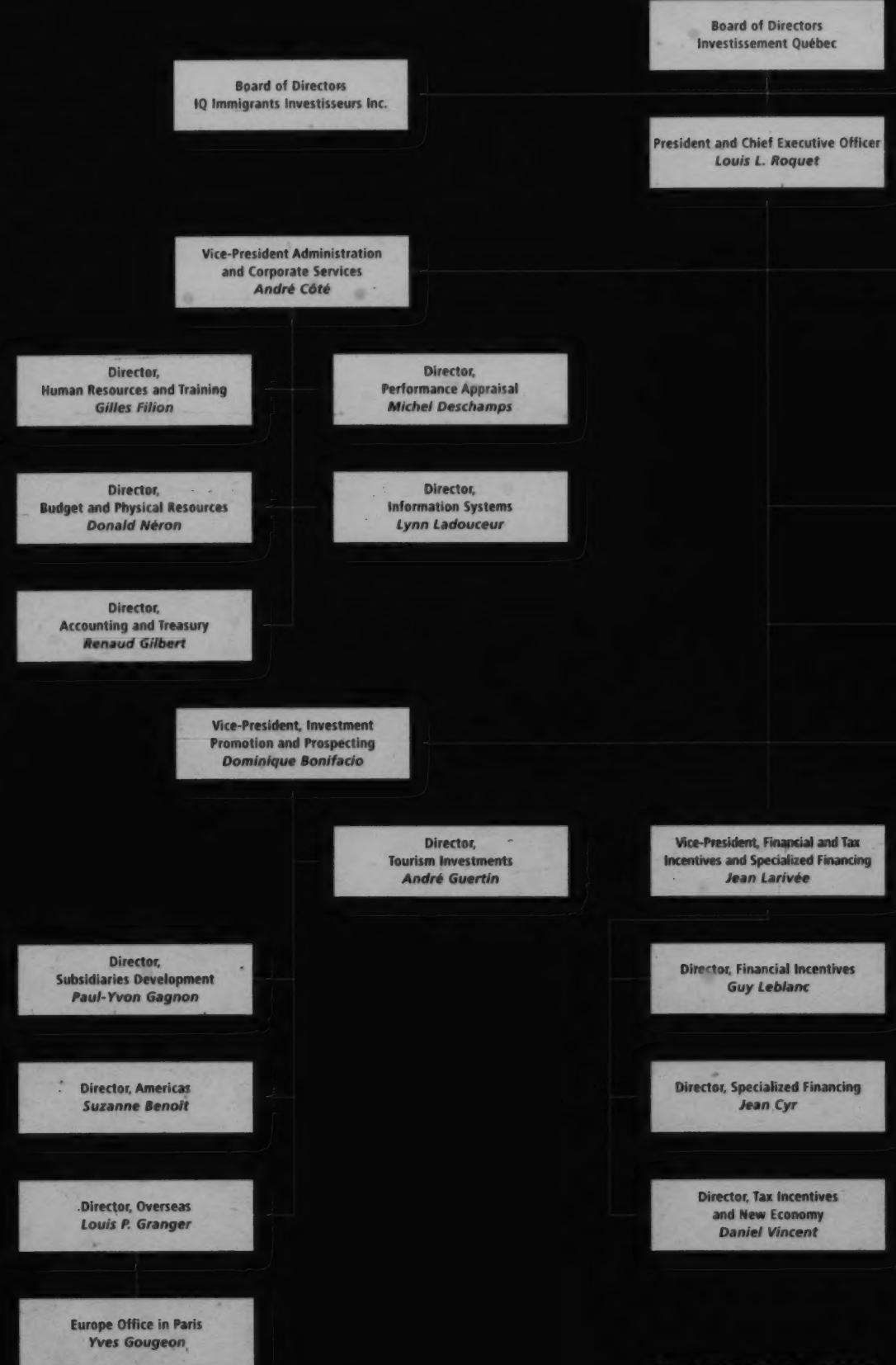
Consisting of the President and Chief Executive Officer and the Vice-Presidents, this committee's role is to plan and coordinate activities from an administrative standpoint, and establish the Corporation's major orientations from an operational standpoint.

Operations Committee

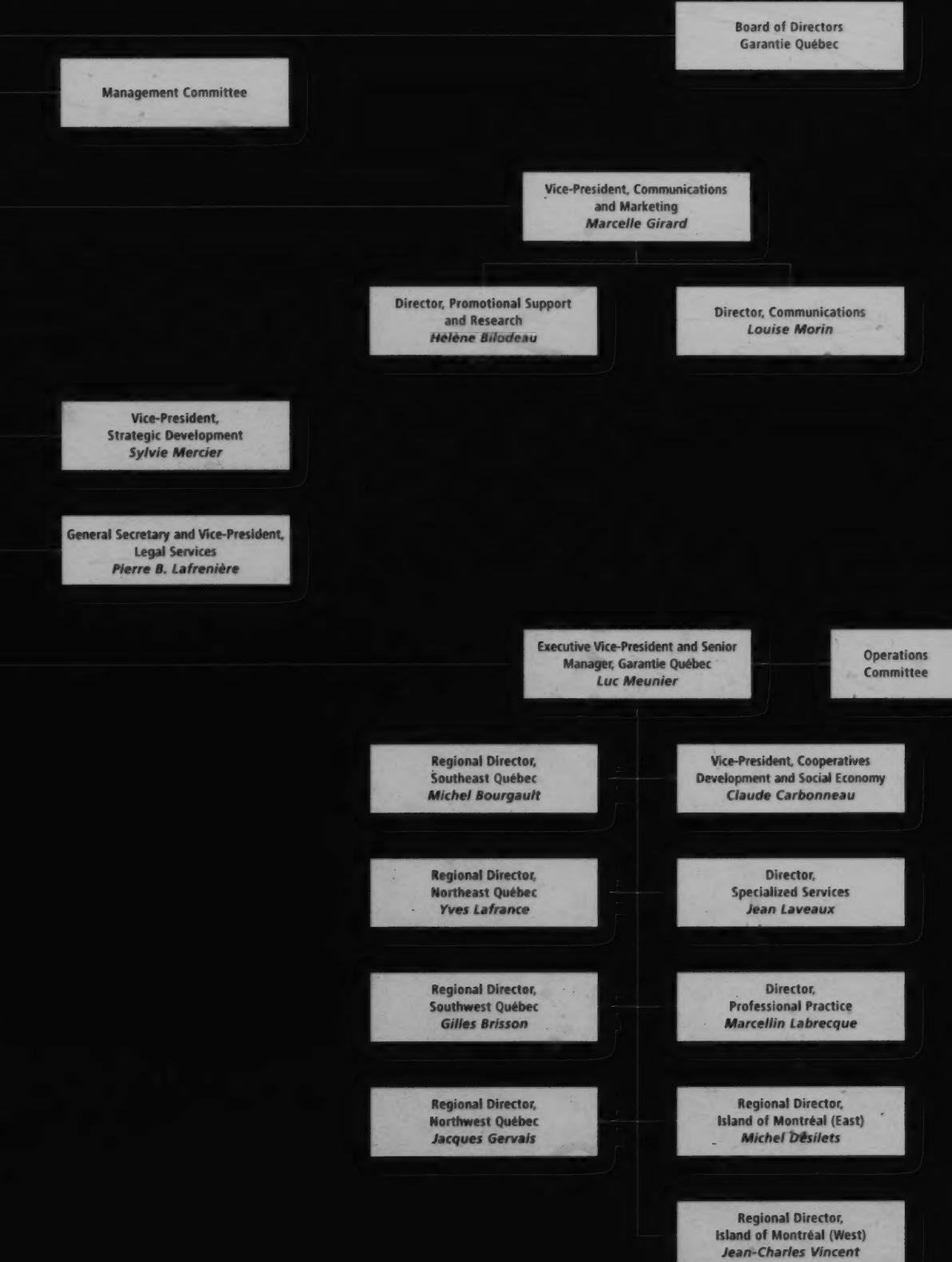
The Office of the Executive Vice-President and Senior Management of Garantie Québec has set up a committee, consisting of the Vice-President, the Director of Professional Practice and the managers of regional and sectoral units, whose role is to plan and coordinate activities from an operational standpoint.

Human Resources Management Committee

This committee is made up of the Vice-President, Administration and Corporate Services, who serves as chairman, the Director of Human Resources and Training, who serves as secretary, managers designated by the President and Chief Executive Officer and, if necessary, a consultant. The committee's role is to apply the job classification system, to ensure the quality of job descriptions, and to advise the President and Chief Executive Officer about the compensation plan.



As at March 31, 2001



HUMAN RESOURCES

Training and Development

During the year, over 800 person-days were devoted to training and development, representing a payroll of \$164,429. An additional amount of \$237,797 was spent on registration fees and various training-related activities. The total investment for training and development was \$402,226, or 2.5% of the total payroll.

Investment in Training and Development

	2000-2001	1999-2000	Change
Number of person-days	802.8	1,281	-37%
Payroll	\$164,429	\$255,096	-36%
Registration fees and related costs	\$237,797	\$173,168	+37%
Total	\$402,226	\$428,264	-6%
% of payroll	2.5%	2.5%	0%

In addition to intensive general training on new information technologies, the Corporation also organized customized training on languages, management and supervision, sales and customer service as well as finance and credit.

In today's changing environment, the Corporation's goal is to develop its employees' skills in order to better serve its clients.

Workforce

In 2000-2001, Investissement Québec's workforce rose from 323 to 344 as at March 31, 2001, an increase of 6% from last year. More than 50% of Investissement Québec's workforce is made up of women and 15% of its employees are less than 30 years of age. In addition, the Corporation took in nine trainees during the year:

- eight from universities;
- one from a college.

Changes in Workforce⁽¹⁾ Versus 1999-2000

Workforce as at March 31	2000-2001	1999-2000
Managers	33	32
Professionals	175	155
Lawyers	8	7
Technicians	43	49
Clerical staff	85	80
Total	344	323

(1) The compilation includes regular employees and supernumeraries.

Code of Ethics

On June 17, 1998, the government adopted Order-in-Council 824-98 on the ethics of public directors. Pursuant to this order-in-council, the members of the Board of Directors of Investissement Québec adopted a Code of Ethics during their meeting of September 26, 2000. The code contains principles that reflect the Corporation's mission, its core values and general management principles. The code reads as follows:

General Provisions

- 1 *This code applies to any person appointed to the board of directors of Investissement-Québec.*
- 2 *The members adhere and contribute to the fulfillment of Investissement-Québec's mission, as described in section 25 of the Act respecting Investissement-Québec and Garantie-Québec (R.S.Q., c. I-16.1), to wit:*

"The mission of the Corporation is to facilitate the growth of investment in Québec and thus contribute to the economic development of Québec and the creation of employment opportunities.

The Corporation shall centralize and consolidate the actions of the State to seek out, promote and support investment, and shall become the main channel for communications with the enterprises concerned.

The Corporation shall strive to stimulate domestic investment and to attract investors from outside Québec. It shall promote Québec among investors as a propitious location for investment, offer investors orientation services to guide them in their dealings with the Government, and provide them with financial and technical support.

The Corporation shall participate in the growth of enterprises, in particular by facilitating research and development and export activities.

The Corporation shall also work to retain current investment in Québec by providing support to enterprises established in Québec that show particular dynamism or potential."

- 3 *The member shall adhere to the values and general management principles underlying Investissement-Québec's activities: client focus, proactive approach, competence, commitment, integrity, efficiency and effectiveness.*

Ethical Rules

- 4 *Any member of the Board of Directors who notices, during a Board of Directors or Executive Committee meeting, that he is in conflict of interest must disclose the interest in writing to the Chairman of the Board, abstain from participating in any deliberation or decision relating to the subject of the conflict, and withdraw for the duration of the deliberation and vote relating to this matter.*
- 5 *A member shall avoid putting himself in a position where his personal interest conflicts with the obligations of his duties.*
- 6 *Any member who provides or whose partner provides professional services for a fee or other consideration to a company, shall abstain, throughout the period in which the services are provided, from communicating with the personnel of Investissement-Québec in respect of any financial transaction involving this company and the Corporation. This prohibition is applicable during the year following the termination of his mandate.*

- 7 *A member may not be designated managing director of Investissement-Québec for a company.*
- 8 *Members shall exercise discretion regarding any information obtained as part of or while exercising their duties and shall at all times respect the confidential nature of such information.*
This obligation shall not prevent a member representing or related to a particular interest group from consulting or reporting to the group, except if the information is confidential under the law or if the Board of Directors requires that such information be kept confidential.
- 9 *A member shall be in conflict of interest when he, his heirs or spouse have, to his knowledge, i) an interest in a client company of Investissement-Québec that is a closed company within the meaning of the Securities Act (R.S.Q., V-1.1), ii) an interest of ten percent or more in the voting share capital of a client company of Investissement-Québec that is not a closed company within the meaning of the Securities Act (R.S.Q., V-1.1).*
- 10 *A member shall be in conflict when the board is seized of a matter concerning his company, his competitor, the company of a client or that of a relation or a matter of a company that has received a letter of intent or a letter of offer from an entity of which he is a director or an employee.*
- 11 *A member shall not accept a gift or other benefits, unless they are customary or of modest value. Any other gift or benefit received shall be returned to the donor or remitted to Investissement-Québec.*
- 12 *A member shall not, directly or indirectly, grant, solicit or accept a favour or undue benefit, for himself or a third party, from a company that has business relations with Investissement-Québec.*
- 13 *A member shall, in making his decisions, avoid being influenced by job offers.*
- 14 *A member who no longer holds his position shall behave in a manner not to take undue advantage of his former position at Investissement-Québec.*
- 15 *A member who no longer holds his position shall not disclose any confidential information he has obtained or give advice to anyone based on information that is not available to the public concerning Investissement-Québec. This prohibition is applicable during the year following the termination of his mandate.*
- 16 *An ethics committee has been set comprising three members appointed by the Board of Directors of Investissement-Québec. This committee meets at the request of the Chairman of the Board of Investissement-Québec to examine all matters referred to it by the Board of Directors and, where applicable, submits its report to the Board.*

PRODUCTIVITY INDICATORS

Investissement Québec's overall results are based on investments made by client companies, jobs created and the fiscal impact of these investments. The table below shows the Corporation's overall performance for fiscal 2000-2001 from various angles.

The Corporation's Overall Performance

	2000-2001	1999-2000
Financing operations		
Number	929	770
Amount of financing	802.6 (\$M)	588.4 (\$M)
Projects financed ⁽¹⁾	5,391.9 (\$M)	3,937.2 (\$M)
Previous jobs ⁽²⁾	40,891	38,219
New jobs ⁽³⁾	24,228	24,532
Performance indicators		
Average project financed per company	6.58 (\$M)	5.92 (\$M)
New jobs per project	30	37
Investment per financing dollar	\$6.72	\$6.69
Jobs created per million dollars of financing	30	42
Number of files authorized per employee	2.70	2.38
Financial commitment per employee	2.33 (\$M)	1.82 (\$M)
Average financing delivery time	54 days	55 days
General satisfaction ⁽⁴⁾	93%	91%
Tax and incidental tax impact attributable to the Corporation's activities⁽⁵⁾		
Project implementation	137.2 (\$M)	92.9 (\$M)
Activities of companies		
- Portion of the portfolio evaluated ⁽⁶⁾	77%	57%
- Impact of activities	552.4 (\$M)	420.5 (\$M)
Impact: Projects and activities⁽⁵⁾		
Costs ⁽⁵⁾	689.5 (\$M)	513.4 (\$M)
Cost-benefit ratio ⁽⁵⁾	147.2 (\$M)	108.4 (\$M)
	4.68/1	4.74/1

(1) Depending on the plan provided by the companies, project implementation and job creation are spread over a maximum period of three years.

(2) Refer to the "Client Satisfaction" section to see how this percentage is determined.

(3) The method used to measure the economic impact attributable to Investissement Québec is summarized under "Economic Profitability of the Corporation".

(4) The evaluation covers the files of companies whose financial statements have been entered in the computer system and whose fiscal year-end falls between July 1, 1999 and June 30, 2000.

(5) The calculation of economic impact in 1999-2000 was adjusted to exclude the activities of companies that benefited from the Canada-Québec Auxiliary Agreement.

(6) Accounting adjustments have been made in the cost calculation. The costs have been adjusted upward, thus explaining the decline in the ratio compared with that presented in the 1999-2000 annual report.

During the year, the number of financing operations rose by 20.6%, while the financing granted increased by 36.4%. Only the number of jobs created fell slightly by 1.2%.

Moreover, the productivity of the Corporation's employees increased considerably during the year, with the number of financing operations and financing amounts rising faster than the number of employees. Investissement Québec's performance can also be evaluated from a qualitative standpoint: general client satisfaction is up three points, and the Corporation's products and services are satisfying demand better and better.

MANAGEMENT INSTRUMENTS

Business Plan

The 1998-2001 three-year business plan was approved by the government during Investissement Québec's first fiscal year. This management instrument defines the Corporation's objectives, strategies and means of action, its cost sharing with the government and its accountability.

As at March 31, 2001, the 2001-2004 business plan was in the process of being completed and approved.

The Corporation's Action Plan

An overall action plan for 2000-2001 was developed based on the corporation's mission and objectives. It defines the development avenues for actions that must be taken by the administrative units.

The four avenues defined in the action plan are as follows:

- Increase the value of investments and the number of jobs created;
- Raise Québec's profile abroad and Investissement Québec's profile in Québec;
- Play a leadership role in Québec (coordination);
- Complete the setting-up of the new organizational structure.

Operating Report

An operating report is prepared regularly to keep track of the Corporation's results and operations and to support decision-making.

A summary operating report is presented each month to the Board of Directors of Investissement Québec. In a few pages, it shows the evolution of the Corporation's results and related financial commitments. The results are evaluated based on the mandates and objectives established at the beginning of the year by the Québec government and the Board of Directors in terms of investments, job creation and promotion of Québec.

An exhaustive version of the operating report is submitted at the end of each quarter to the Management Committee (June 30, September 30 and December 31). It presents more detailed information on each of the programs administered by the Corporation. It also contains information on client satisfaction, file processing times, promotion, communication and awareness activities, the management of human, budgetary and information resources, as well as the quarterly financial results that show the Corporation's financial performance.

Management Information

Using its portfolio management information system (GESPORT), the Corporation produces a monthly administrative summary for all managers handling financing files. Data can be retrieved from the GESPORT system and reports produced on request using an interface tool.

In December 2000, the Corporation established interactive management indicators to allow managers handling financing files to monitor the different aspects of their financing files (applications under examination, files authorized per month, arrears, financial statements, files to be administered), on a weekly basis.

Evaluation of Economic Profitability

The economic impact of projects financed during the year and the activities of companies in the portfolio are evaluated at the end of each fiscal year. The impact is analyzed by program, by sector and by administrative region.

A proactive evaluation is also performed for the economic impact of each project submitted by medium-sized and large companies that want to benefit from the FAIRE program. This evaluation is intended to complete the information needed for the authorization of the financial commitments.

Evaluation of Client Satisfaction

The Corporation conducts a written survey of its clients and financial partners to measure different parameters related to employee competence, professionalism, and reception, adaptability and flexibility, processing time and the Corporation's accessibility and visibility. The results are analyzed in detail and submitted to the Management Committee once a year and then incorporated into the annual report.

Committees

The employees can participate in the management process through various committees. The purpose of these committees is to meet the needs of the Corporation's clients, partners and employees. The following committees were established for 2000-2001:

- Professional relations committee;
- Information technologies advisory committee;
- Economic impact committee;
- Committee on the development of financing products;
- GESPORT coordinating committee (Portfolio management);
- SOISAF replacement committee (computerized system to support financial analysis);
- Internet committee;
- Advisory committee on internal communication;
- Invest-Québec newsletter steering committee;
- Committee on multimedia e-commerce.

The strategic planning exercise for the implementation of the 2001-2004 business plan led to the creation of several focus groups made up of the Corporation's employees.

The administrative units held meetings regularly to share information and monitor activities on a regular basis, and obtain feedback on the Corporation's structures, orientations and procedures.

Asset Protection

The Corporation takes all the necessary measures to ensure that its financial, information and physical assets are protected.

Hence, all financing operations constituting the Corporation's portfolio are systematically monitored by the relevant portfolio manager. This monitoring includes, at the very least, receipt of the company's annual financial statements, production of an annual report on the company's operations, a quarterly review of the assigned risk category, in order to determine the provision for losses and, in the case of doubtful accounts, a quarterly update on the value of its securities.

In addition, the Corporation confirms the guarantee balance with the relevant financial institutions on a yearly basis.

With respect to the security of information systems, the Corporation's computer data are secured from a logical and physical standpoint.

In terms of logical security, each Investissement Québec user is assigned an access code and a personalized password that define their right of access to applications and computer data, thereby limiting the handling of data according to each user.

As for physical security, computer servers are located in an air-conditioned room with controlled access. Strict procedures regarding back-up copies are applied daily, and copies are kept outside the Corporation's premises.

The Corporation's physical assets are also protected specifically against theft and destruction through various insurance policies. Lastly, to the extent that it is authorized to proceed as such in the buildings where it conducts its business, the Corporation controls access to its premises using specialized systems and according to a specific schedule.

FINANCIAL INFORMATION

The financial review performed by Investissement Québec's Management presents a summary analysis of the Corporation's financial statements and portfolio. This analysis is followed by a declaration of responsibility for financial information, in which Management sets out its responsibilities as well as those of the Board of Directors. This is then followed by the auditor's report, in which the Auditor General of Québec expresses a favourable opinion regarding the Corporation's consolidated financial statements.

The Corporation's consolidated financial statements are presented at the end of this section. They include the financial statements of its wholly owned subsidiaries, namely, Garantie Québec, IQ Immigrants Investisseurs Inc., 9037-6179 Québec Inc. and 9071-2076 Québec Inc. These consolidated financial statements are composed of the consolidated balance sheet, the consolidated statements of income and surplus, the consolidated statement of cash flows, and the notes to the consolidated financial statements.

FINANCIAL REVIEW BY MANAGEMENT

The net value of the Corporation's financing operations portfolio continued to grow during the fiscal year ended March 31, 2001. The portfolio increased by 6.2%, from \$1.28 billion as at March 31, 2000, to \$1.35 billion as at March 31, 2001.

This portfolio is made up of loans, shares, units and guarantees. Loans, shares and units are posted on the asset side of the Corporation's balance sheet, while guarantees are left out of the Corporation's balance sheet, because they are neither an asset nor a liability. The amount entered in this regard represents the sums that the Corporation may be called upon to pay in case of payment default by companies.

The financing operations comprising the Corporation's portfolio fall into two major categories: operations guaranteed by the Québec government and operations not guaranteed. This sub-division appears in the notes to the financial statements. The government fully assumes the losses related to guaranteed financing operations, while the Corporation supports the losses associated with non-guaranteed financing operations.

Balance Sheet

The Corporation's total assets as at March 31, 2001 stood at \$1.00 billion, representing a slight decline compared with the total assets as at March 31, 2000 (\$1.03 billion). This reduction is partly due to the fact that, for some years now, loan guarantees have been the Corporation's financing product of choice. Hence, even though the Corporation's portfolio increased, due to the fact that loan guarantees are not presented in the balance sheet, the Corporation's total assets decreased proportionately to the decline in the loan balance and participating shares and units.

Moreover, the loan guarantee balance rose substantially, from \$489 to \$601 million, thus confirming the Corporation's preference for this financing product.

Statement of Income

The Corporation posted net income of \$1.6 million during the fiscal year ended March 31, 2001, compared with net income of \$43.5 million for the previous fiscal year. This decline is mainly due to the fact that the provision for losses expense was higher for financing operations not guaranteed by the Québec government (provision expense higher by \$41.8 million from a year ago). This increase in the provision for losses stems from the deterioration of the financial situation of many companies, the result of a general economic downturn.

The Corporation's interest income also fell, from \$84.9 million as at March 31, 2000 to \$71.6 million as at March 31, 2001. This drop is attributable to the decrease in the Corporation's loan balance, as indicated above, particularly its interest-bearing loans.

Moreover, under the Private Investment and Job Creation Promotion Fund (FAIRE) program, the Corporation paid non-repayable financial contributions to various companies during the year totalling \$163 million, compared with \$111 million a year earlier. This increase reflects the more and more important role that the Corporation is playing in Québec's economic development.

Statement of Cash Flows

Cash flows from the Corporation's operations stood at \$6.4 million for the fiscal year ended March 31, 2001. Cash flows from investment activities were \$19 million for this year, due to the decrease in the loan, share and unit balance. Cash flows from these two activities contributed to the repayment of a major portion of the Corporation's debt (\$58.9 million).

CONSOLIDATED FINANCIAL STATEMENTS**Declaration of Responsibility for Financial Information**

The preparation and presentation of the consolidated financial statements of Investissement Québec and other information contained in this annual report are the responsibility of management.

This responsibility includes the choice of appropriate accounting policies (outlined in Note 2 of the financial statements).

The financial information appearing in the annual report is consistent with that contained in the financial statements.

The Corporation's accounting system as well as its internal controls and procedures are designed to ensure the reliability of financial data and to provide reasonable assurance that the Corporation's assets are adequately protected against any loss or unauthorized use.

The Board of Directors, which is responsible for monitoring the manner in which management fulfills its responsibilities regarding financial information, approved the financial statements. The Board is assisted in carrying out its mandate by the Audit Committee. This committee meets with management and the auditor, reviews the financial statements, and recommends their approval to the Board. The Audit Committee also receives advance copies of the audit reports on the optimization of resources and compliance with laws and regulations, particularly the *Financial Administration Act*.



Louis L. Roquet
President and Chief Executive Officer



André Côté
Vice-President, Administration
and Corporate Services

Auditor's Report

To the National Assembly,

I have audited the consolidated balance sheet of Investissement Québec as at March 31, 2001 and the consolidated statement of income, surplus and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards in Canada. Those standards require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2001 and the results of its operations and its cash flows for the year then ended, in accordance with the accounting policies described in Note 2. As required by the *Auditor General Act* (R.S.Q., chapter V-5.01), I report that, in my opinion, these policies have been applied on a basis consistent with that of the preceding year.



Guy Breton, FCA

Auditor General of Quebec

Quebec City, June 6, 2001

CONSOLIDATED BALANCE SHEET

As at March 31 (in thousands of dollars).

Assets	2001	2000
Cash	—	1,491
Temporary investments	250	—
Investments (Note 3)	1,311	100
Loans, less accumulated provision for losses (Notes 4 and 8)	661,348	694,097
Shares, less accumulated provision for losses (Notes 5 and 8)	70,758	75,308
Units, less accumulated provision for losses (Notes 6 and 8)	19,864	16,319
Accumulated provision for losses recoverable from the:		
Government of Québec (Note 8)	175,032	191,990
Fixed assets (Note 9)	6,049	6,022
Other assets (Note 10)	70,512	43,570
Total assets	1,005,124	1,028,897
 Liabilities and equity		
Liabilities		
Bank overdraft	32,284	—
Short-term debt (Note 11)	221,500	175,500
Long-term debt (Note 12)	489,916	594,791
Interest due and accrued on debt (Note 13)	11,008	12,436
Accumulated provision for losses on guarantees (Notes 7 and 8)	102,592	101,972
Other liabilities (Note 14)	17,939	15,876
	875,239	900,575
Equity		
Initial equity	32,944	32,944
Surplus	96,941	95,378
	129,885	128,322
Total liabilities and equity	1,005,124	1,028,897
 Guarantees, less accumulated provision for losses (Notes 7 and 8)		
	601,284	489,096

The notes are an integral part of the financial statements.

On behalf of the Board of Directors,



Louis L. Roquet
President and Chief Executive Officer



Jean Pronovost
Chairman of the Board

CONSOLIDATED STATEMENT OF INCOME

For the fiscal year ended March 31 (in thousands of dollars)

	2001	2000
Interest income and interest contribution from the Government of Québec (Note 15)	71,569	84,923
Risk premiums – Government of Québec	13,637	12,656
Risk premiums – client companies		
Stock options	2,630	4,670
Others	6,290	1,555
Guarantee fees	6,603	5,118
Commitment fees	5,100	4,845
Gain on disposal of shares	—	1,159
Other income	821	892
	106,650	115,818
Interest charges (Note 16)	(54,615)	(68,401)
Fees – financial intermediaries	(57)	—
Net income before provision for losses and the following items	51,978	47,414
Provision for losses (Note 8)	(54,237)	(38,498)
Provision for losses recoverable from the Government of Québec (Note 8)	12,880	38,962
Net income before the following items	10,621	47,878
Non-repayable financial contributions	(164,460)	(117,965)
Non-repayable financial contributions assumed by the Government of Québec	164,460	117,965
Operating and administrative expenses (Note 17)	(34,723)	(27,903)
Administration fees – Government of Québec	26,034	23,859
Other expenses	(354)	(350)
Net income before share of income from an affiliated company	1,578	43,494
Share of income from an affiliated company	(15)	—
Net income	1,563	43,494
Surplus at the beginning	95,378	51,884
Surplus at the end	96,941	95,378

The notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the fiscal year ended March 31 (in thousands of dollars)

	2001	2000
Cash flows from operating activities		
Net income	1,563	43,494
Adjustments for:		
Amortization of long-term debt discount and issue expenses	75	225
Amortization of investment discount	(10)	—
Gain on disposal of shares	—	(1,159)
Deferred income payments	(192)	(192)
Provision for losses	54,237	38,498
Provision for losses recoverable from the Government of Québec	(12,880)	(38,962)
Depreciation of fixed assets	1,482	1,223
Share of income from an affiliated company	15	—
	44,290	43,127
Changes in non-cash items related to operating activities (Note 18)	(37,916)	(34,791)
	6,374	8,336
Cash flows from investment activities		
Acquisition of investments	(1,216)	—
Net decrease of loans	21,033	191,368
Net decrease of shares	4,513	43,012
Net increase of units	(3,845)	(6,247)
Acquisition of fixed assets	(1,509)	(1,862)
	18,976	226,271
Cash flows from financing activities		
Net increase of short-term debt	46,000	36,000
Long-term debt	1,600	—
Repayment of long-term debt	(106,475)	(269,668)
	(58,875)	(233,668)
Net increase (decrease) of cash and cash equivalents	(33,525)	939
Cash and cash equivalents at beginning of year	1,491	552
Cash and cash equivalents at end of year	(32,034)	1,491
Cash and cash equivalents		
Cash (bank overdraft)	(32,284)	1,491
Temporary investments	250	—
	(32,034)	1,491
Additional information		
Interest paid	55,754	73,874

The notes are an integral part of the financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2001 (in thousands of dollars)

1. Incorporating Legislation and Nature of Activities

Investissement Québec is a public law legal entity incorporated and governed under the *Act respecting Investissement-Québec and Garantie-Québec* (R.S.Q., c. I-16).

Investissement Québec's mission is to promote investment growth in Québec. It centralizes and consolidates Government action in research, promotion and support for investment. It strives not only to stimulate domestic investment, but also to attract outside investors by promoting Québec as an excellent place for investment. Investissement Québec also participates in the growth of businesses by facilitating research and development as well as exports. By lending its support to companies already established here, it works to retain current investment in Québec. It can also offer companies and government departments, agencies and corporations a variety of technical services, particularly in the fields of financial analysis, credit arrangement and portfolio management. Investissement Québec administers the financial assistance programs developed by the government with regard to investment. The Corporation also administers the *Act respecting Québec Business Investment Companies* (R.S.Q., c. S-29.1), and fulfills any mandate assigned to it by the government under section 28 of its incorporating statute.

The purpose of Garantie Québec, a wholly owned subsidiary of Investissement Québec, is to facilitate the financing of Québec companies, mainly by guaranteeing the financial commitments they make to financial institutions. Garantie Québec can also provide other forms of financial assistance, notably to boost investment by small and medium-sized businesses or to support their R&D and export projects. It also administers the financial assistance programs stemming from the *Act respecting assistance for the development of cooperatives and non-profit legal persons* (R.S.Q., c. A-12.1).

Section 46 of the *Act respecting Investissement-Québec and Garantie-Québec* states that the Corporation shall establish a business plan according to the form, content and frequency determined by the Government of Québec. This plan was approved on July 7, 1999 (Order-in-Council #827-99) and ends on March 31, 2001. A new business plan is being developed.

2. Main Accounting Policies

The consolidated financial statements of the Corporation were prepared by Management according to the accrual accounting method and the accounting policies disclosed below. These financial statements include amounts based on best judgments and estimates.

The consolidated financial statements comprise the financial statements of Investissement Québec and those of its wholly owned subsidiaries, Garantie Québec, IQ Immigrants Investisseurs Inc., 9037-6179 Québec Inc., and 9071-2076 Québec Inc.

Cash and Cash Equivalents

The Corporation presents, under cash and cash equivalents, its cash and bank overdraft as well as temporary investments maturing no later than three months following their acquisition date.

Investments

Promissory notes are recorded at cost. Interest income is recorded using the accrual method of accounting. Discounts on promissory notes are charged to the statement of income according to the effective interest method until maturity.

The investment in an affiliated company is recorded at equity value.

Loans, Shares and Units

Loans (including accrued interest receivable), shares and units are recorded at cost. When credit quality has deteriorated to the extent that there is no reasonable assurance that a loan (principal and interest) will be collected in full, the loan is considered impaired. The reduction in the carrying amount then recognized and any subsequent changes are applied against the provision for losses.

Interest income from loans and preferred shares is recorded using the accrual accounting method. However, when a loan not guaranteed by the Government of Québec becomes impaired and the borrower owes more than three months' interest, the interest ceases to be recognized. The interest received on such loans is recorded as a recovery up to the amount written off or for which a provision has been entered, and is subsequently recorded as interest income.

Dividend income on shares is entered upon receipt. Gains on disposal of shares are recorded on the date of transfer or sale of the shares.

The carrying amount of loans not guaranteed by the Government of Québec and restructured as low-interest or interest-free loans or as non-participating shares is reduced to the value of net cash flows receivable under the modified terms at the effective interest rate inherent in the loan. The reduction in the carrying amount resulting from the restructuring is added to the provision for losses. The increase in the discounted value over time is recorded as interest income.

Foreclosed assets held for sale are considered as impaired loans and are recorded at the lesser of the balance of the loan at the time of foreclosure or the estimated net proceeds from the sale of the assets. The reduction in the carrying amount then recognized and any subsequent changes are credited to the provision for losses.

Participating shares stemming from restructured loans not guaranteed by the Government of Québec are recorded at their book value immediately after the loans have been restructured. The difference between the carrying amount of a loan prior to restructuring and the book value of the resulting shares is credited to the provision for losses. Any subsequent decrease in the book value of the shares is also credited to the provision for losses. Any subsequent increase is recognized only upon the sale of the shares, as a gain on the disposal of shares during the current year.

Guarantees

The balance of guarantees, less the accumulated provision for losses, is shown at the bottom of the Corporation's balance sheet.

Guarantee claims are recorded once they have been approved by the Corporation. Disbursements are then applied to reduce the guarantee balance and the accumulated provision for losses on guarantees.

When the Corporation considers that there is reasonable assurance that a loan will be repaid, these disbursements are recorded as assets in accordance with the accounting policies applicable to loans, shares and units.

Accumulated Provision for Losses

The accumulated provision for losses on loans, shares and units is shown on the Corporation's balance sheet, offset against the value of its assets. The accumulated provision for losses on loan guarantees in effect is entered as a liability on the balance sheet. According to the Corporation, these provisions provide the most accurate estimate possible of the foreseeable risk of losses on financing operations that are part of its portfolio.

Except under business start-up investment and business re-start programs, all client companies are classified under five risk categories, determined using solvency and credibility criteria; this classification is updated constantly.

One of these categories is insolvent clients, while another comprises companies that are likely to become insolvent in the short term. All impaired loans are found in one of these two categories. The provision for losses on financing operations included in these two categories corresponds to the balance of each operation, net of the estimated realizable value of securities, to which a percentage adjustment is applied based on loan collection experience for the files in these categories. When a company assigned to either category is winding up, has ceased repaying the Corporation and is unlikely to put its finances in order, the related financing operations are written off.

The three other risk categories comprise companies whose financial profile corresponds to that of the Corporation's target clientele. A group provision is calculated for each of these categories by applying a provision rate to the financing operations balance. The provision rate for each category is based on a statistical analysis of the number and size of the losses noted or deemed probable one year after the companies are classified.

Financing operations whose cumulative balance per company is exceptionally high and which are included in one of the above-mentioned risk categories are covered by a specific provision for losses.

A global provision is calculated for business start-up investment and business re-start programs. This provision corresponds to the amount of loan guarantees in effect, to which a rate based on past experience is applied, less disbursements in respect of loan guarantees under these programs.

Certain loans may be exempted from repayment according to the conditions set out in the loan agreement. The provision for losses on these loans integrates the insolvency risk mentioned above and the risk inherent in the loan agreement.

Special class shares are non-participating shares, with no dividends or redemption date. Given the limited likelihood of recovering all or part of the redemption value of these shares, the applicable provision corresponds to 100% of the balance of these shares.

Share of Accumulated Provision for Losses Recoverable from the Government of Québec

The Government of Québec assumes a share of the Corporation's provision for losses. This share corresponds to the provision for losses on financing operations guaranteed by the Government of Québec.

Receivable from the Government of Québec

The Government of Québec contributes to the Corporation's financing by reimbursing the losses on its guaranteed financing operations and non-repayable financial contributions, by paying interest on certain financing operations, and by paying certain revenues (risk premiums and administration fees). The contributions receivable balance appears under the heading "Other Assets".

Fixed Assets

Fixed assets are recorded at cost. They are depreciated as of their start-up date, according to the straight-line method over their estimated useful lives, at the following rates:

Software, hardware and development of data processing systems	20%
Office furniture	10%
Leasehold improvements	10%

Long-Term Debt Discount and Issue Expenses

The discount and issue expenses relating to long-term debt are deferred and amortized according to the straight-line method over the term of the loan concerned.

Land for Sale

The land is evaluated at cost or at the net realizable value, whichever is less. The cost includes expenses related to decontamination and clean-up work.

Deferred Income

The Government of Québec's contribution for the acquisition of fixed assets is deferred and transferred to results according to the same method and the same rates used for depreciating fixed assets.

Risk Premiums - Government of Québec

The Government of Québec pays the Corporation a premium to take into account the risk associated with financing operations whose losses are borne by the Corporation. This premium corresponds to 7% of the amount of financing authorized by the Corporation. It is recorded as revenue upon the approval of the financing operation.

Risk Premiums - Client Companies

When approving a loan or loan guarantee, the Corporation generally requires a risk premium from the client company. This premium, which takes the form of a stock option or a charge on sales, is recorded when an agreement is reached with the client concerning the exact amount and date of payment of the premium. The premium, in the form of a share in earnings, is payable and recorded no later than six months after the end of the company's fiscal year. The lump-sum premium is recorded when due according to the contract.

Gains on the disposal of shares issued following the exercise of an option are shown under the heading "Risk Premiums - Stock Options" in the Corporation's statement of income.

Non-Repayable Financial Contributions

Non-repayable financial contributions granted to companies are charged to results for the year in which the Corporation approved the payment. The corresponding contribution from the Government of Québec is then deemed to have been earned by the Corporation.

Fees - Financial Intermediaries

The Corporation pays fees to financial intermediaries for canvassing an investor immigrant, for finding a company to recommend for a non-repayable financial contribution, and for closing the file.

Fees paid for canvassing of investor immigrants are deferred and charged to the statement of income for the duration of the corresponding investment, according to the straight-line depreciation method. Fees paid for finding a company to recommend for a non-repayable financial contribution are recorded once the company has accepted the financing operation. Fees for the closing of files are recorded upon maturity of the investment.

Pension Plans

The Corporation contributes to inter-company government defined benefit plans. These contributions are recorded according to the accounting standards concerning defined contribution plans, since the Corporation does not have sufficient data to apply the standards for defined benefit plans.

Currency Translation

Guarantees expressed in foreign currency are translated into Canadian dollars at the rate applicable as at the balance sheet production date. The statements of income are translated at the prevailing exchange rate as at the transaction date.

3. Investments

	2001	2000
Notes receivable from the Government of Québec, of 5.22% to 5.67%, maturing between January 24, 2006 and March 21, 2006	1,226	—
Affiliated company, capital contribution, at equity value	85	100
	1,311	100

4. Loans, Less Accumulated Provision for Losses

			2001	2000
	Not guaranteed by the Government of Québec	Guaranteed by the Government of Québec	Total	Total
Loans				
Interest-bearing	73,326	162,641	235,967	292,734
Non-interest-bearing	269	443,628	443,897	419,197
Restructured	7,723	—	7,723	7,303
Impaired	37,340	72,848	110,188	99,574
	118,658	679,117	797,775	818,808
Accumulated provision for losses				
Interest-bearing and non-interest-bearing loans	(7,580)	(28,778)	(36,358)	(32,692)
Restructured loans	(3,539)	—	(3,539)	(3,402)
Impaired loans	(26,793)	(69,737)	(96,530)	(88,617)
	(37,912)	(98,515)	(136,427)	(124,711)
	80,746	580,602	661,348	694,097

5. Shares, Less Accumulated Provision for Losses

			2001	2000
	Not guaranteed by the Government of Québec	Guaranteed by the Government of Québec	Total	Total
Shares				
Common	3,147	14,915	18,062	15,633
Preferred	486	70,668	71,154	71,658
Special class	—	11,950	11,950	17,851
From restructured loans	4,070	—	4,070	4,607
	7,703	97,533	105,236	109,749
Accumulated provision for losses				
Common shares	(1,862)	(11,320)	(13,182)	(11,270)
Preferred shares	(342)	(7,358)	(7,700)	(3,798)
Special class of shares	—	(11,950)	(11,950)	(17,851)
Shares from restructured loans	(1,646)	—	(1,646)	(1,522)
	(3,850)	(30,628)	(34,478)	(34,441)
	3,853	66,905	70,758	75,308

The Corporation holds shares issued by public companies. The net book value of these shares as at March 31, 2001 was \$2,432 thousand (\$2,111 thousand at March 31, 2000). According to stock market quotations as at March 31, 2001, these shares had a value of \$10,360 thousand (\$8,899 thousand as at March 31, 2000).

6. Units, Less Accumulated Provision for Losses

			2001	2000
	Not guaranteed by the Government of Québec	Guaranteed by the Government of Québec	Total	Total
Units				
Preferred of cooperatives	46	2,653	2,699	2,479
Of partnerships	—	18,949	18,949	15,324
	46	21,602	21,648	17,803
Accumulated provision for losses	(7)	(1,777)	(1,784)	(1,484)
	39	19,825	19,864	16,319

7. Guarantees, Less Accumulated Provision for Losses

			2001	2000
	Not guaranteed by the Government of Québec	Guaranteed by the Government of Québec	Total	Total
Guarantees				
Loans	230,236	275,237	505,473	426,165
Financial commitment	57,650	140,753	198,403	164,903
	287,886	415,990	703,876	591,068
Accumulated provision for losses				
Loan guarantees	(44,851)	(40,005)	(84,856)	(92,235)
Financial commitment guarantees	(13,629)	(4,107)	(17,736)	(9,737)
	(58,480)	(44,112)	(102,592)	(101,972)
	229,406	371,878	601,284	489,096

8. Accumulated Provision for Losses

			2001	2000
	Financing operations not guaranteed by the Government of Québec	Financing operations guaranteed by the Government of Québec	Total	Total
Balance at beginning of year	70,618	191,990	262,608	419,551
Provision for losses	41,357	12,880	54,237	38,498
Recoveries	2,748	943	3,691	9,753
Write-offs ⁽¹⁾	(7,782)	(16,838)	(24,620)	(162,025)
Guarantee disbursements that did not give rise to an asset	(6,592)	(13,943)	(20,635)	(43,169)
	100,249	175,032	275,281	262,608

**The accumulated provision for losses
breaks down as follows:**

	2001	2000
Loans	37,912	98,515
Shares	3,850	30,628
Units	7	1,777
Guarantees	58,480	44,112
	100,249	175,032
	275,281	262,608

(1) Corresponds to the "Share of accumulated provision for losses recoverable from the Government of Québec" shown as an asset on the balance sheet.

(2) Write-offs in the form of restructured loans amount to \$103 thousand for the fiscal year ended March 31, 2001 (\$7,031 thousand as at March 31, 2000).

9. Fixed Assets

	Cost	Accumulated Depreciation	2001	2000
			Net Value	Net Value
Software, hardware and development of data processing systems	7,203	(2,547)	4,656	5,260
Office furniture	235	(23)	212	110
Leasehold improvements	1,315	(134)	1,181	652
	8,753	(2,704)	6,049	6,022

10. Other Assets

	2001	2000
Receivable from the Government of Québec	67,799	41,753
Long-term debt discount and issue expenses	186	261
Deferred fees to financial intermediaries	56	—
Land for sale (Note 21)	184	184
Other accounts receivable	2,287	1,372
	70,512	43,570

11. Short-Term Debt

	2001	2000
Bankers' acceptances – financial institutions, 5.04% to 5.33%, maturing between April 2 and April 25, 2001	168,000	77,500
Notes – Government of Québec Financing Fund, 5.01%, maturing April 30, 2001	53,500	98,000
	221,500	175,500

12. Long-Term Debt

	2001	2000
Series H bonds, 11.50%, matured July 27, 2000 ⁽¹⁾	—	50,000
Notes – Government of Québec Financing Fund:		
– 7.50% to 9.31%, maturing between April 1, 2002 and December 1, 2003	353,548	353,548
– at the three-month bankers' acceptance rate plus 0.123%, matured March 2, 2001	—	56,475
– at the three-month bankers' acceptance rate plus 0.168%, maturing August 21, 2002	34,768	34,768
– at the three-month bankers' acceptance rate plus 0.034%, maturing December 1, 2003	100,000	100,000
Notes – Investor immigrants, interest-free, maturing between January 24, 2006 and March 21, 2006 ⁽¹⁾	1,600	—
	489,916	594,791

Repayment of the principal on long-term debt over the next five years breaks down as follows:

2002	2003	2004	2005	2006
148,219	205,981	134,116	—	1,600

(1) Payment of principal and interest is guaranteed by the Government of Québec.

13. Interest Due and Accrued on Debt

	2001	2000
Financial institutions	24	1,178
Government of Québec Financing Fund	10,984	11,258
	11,008	12,436

14. Other Liabilities

	2001	2000
Deferred revenue ⁽¹⁾	2,449	1,948
Non-repayable financial contributions and guarantees payable	6,766	6,061
Sick leave and vacations payable	6,747	5,733
Other accounts payable	1,977	2,134
	17,939	15,876

(1) Includes the Government of Québec's contribution for the acquisition of fixed assets in the amount of \$577 thousand as at March 31, 2001 (\$769 thousand as at March 31, 2000).

15. Interest Income and Interest Contribution from the Government of Québec

	2001	2000
Interest on loans	25,836	31,765
Interest on investments	12	—
Government of Québec's contribution to interest on low-yield guaranteed financing operations ⁽¹⁾	45,721	53,158
	71,569	84,923

(1) This contribution concerns financing operations guaranteed by the Government of Québec. It corresponds to the surplus of the Corporation's average borrowing cost over the yield of these operations.

16. Interest Charges

	2001	2000
Interest on long-term debt ⁽¹⁾	44,935	58,003
Interest on short-term debt and bank charges ⁽¹⁾	9,355	9,676
Guarantee charges on long-term debt	250	500
Amortization of long-term debt discount and issues expenses	75	225
	54,615	68,404

(1) Interest charges on loans taken out with the Government of Québec Financing Fund totalled \$45,851 thousand for the fiscal year ended March 31, 2001 (\$51,371 thousand for the fiscal year ended March 31, 2000).

17. Operating and Administrative Expenses

	2001	2000
Salaries and employee benefits	22,146	17,332
Rent	2,511	2,174
Travel, entertainment, advertising and promotion	4,285	3,504
Fees	1,274	1,575
Depreciation of fixed assets	1,482	1,223
Other	3,025	2,095
	34,723	27,903

18. Changes in Non-Cash Items Related to Operating Activities

	2001	2000
Other assets	(27,017)	(14,101)
Interest due and accrued on debt	(1,428)	(6,446)
Other liabilities	2,255	4,781
Accumulated provision for losses	(41,564)	(195,441)
Accumulated provision for losses recoverable from the Government of Québec	29,838	176,416
	(37,916)	(34,791)

19. Commitments

Financing authorized, not disbursed or implemented or whose disbursement had not been authorized as at March 31

	Not guaranteed by the Government of Québec	Guaranteed by the Government of Québec	Total	2001	2000
Loans	8,204	283,665	291,869	188,049	
Shares	—	—	—	58	
Units	—	2,379	2,379	3,258	
Guarantees	140,661	465,390	606,051	353,245	
Non-repayable financial contributions	142	403,940	404,082	386,366	
	149,007	1,155,374	1,304,381	930,976	

20. Pension Plans

The employees of Investissement Québec subscribe to the Government and Public Employees Retirement Plan and the Civil Service Superannuation Plan. These are inter-company defined benefit plans that include retirement and death benefits. Investissement Québec's obligations toward these government plans are limited to its contributions as an employer. Investissement Québec's contributions charged to the statement of income for the fiscal year amount to \$519 thousand (\$816 thousand for the fiscal year ended March 31, 2000).

The employer's contribution for regular service under the Government and Public Employees Retirement Plan until December 31, 1999 corresponded to 5.22% of pensionable earnings for unionizable participants (5.02% for non-unionizable participants). Since January 1, 2000, following changes made to the pension plan, the employer's contribution rate for regular service now corresponds to 3.51% of pensionable earnings for unionizable participants (0.79% for non-unionizable participants).

21. Contingencies

Under Government of Québec Order-in-Council 1421-98 dated November 11, 1998, 9071-2076 Québec Inc., a subsidiary of Investissement Québec, acquired a piece of contaminated land in December 1998 for the price of one dollar. Investissement Québec will guarantee the environmental liability of this land until funds become available in the subsidiary to assume such liability. The Corporation is unable to estimate the financial impact of this environmental liability. However, under its incorporating legislation, any losses stemming from this contingent liability will be borne by the Government of Québec.

Various judicial and extrajudicial proceedings instituted by or against the Corporation are currently under way. In the Corporation's opinion, the outcome of these proceedings will not have a significant impact on its financial position or the results of its operations.

22. Related Party Transactions

The Corporation is a related party to all departments and special funds as well as to all agencies and corporations that are controlled directly or indirectly by the Government of Québec or are subject to either joint control or significant common influence by the Government of Québec. The Corporation's business transactions with these related parties were carried out during the normal course of its activities and under normal business conditions. Most of these transactions, accounted for according to their exchange value, are shown separately in the financial statements.

23. Comparative Figures

Certain figures from fiscal 2000 have been reclassified so that their presentation is identical to that of fiscal 2001.

METHODOLOGY USED TO EVALUATE THE ECONOMIC IMPACT OF PROJECTS AND THE PORTFOLIO

The Corporation evaluates the assets it finances. This evaluation covers all projects financed in 2000-2001, excluding financing offers refused by companies, projects under the Canada-Québec Auxiliary Agreement on Industrial Development, as well as projects related to a sale, which are already evaluated under the portfolio's economic impact.

The analysis focuses on the cost of projects, broken down by type of expenditure: construction, equipment and machinery, professional fees and working capital. The evaluation of the impact of the use of the assets financed by the Corporation takes into account the sales shown on the companies' latest financial statements.

The Institut de la statistique du Québec (ISQ) used these data and its input-output model to evaluate the economic impact of the projects. Yves Dion, economist and professor, and Régis Fortin, professor of finance at the Université du Québec à Rimouski (UQAR), analyzed the impact of the projects financed by the Corporation on the Québec economy, by program, by sector and by region.

The methodology used prevents sales from being counted twice, especially in the case of companies that benefited from more than one program. The evaluation of the portfolio's impact covers a sample of 77% of client companies, versus only 57% last year. All data were taken from audited or examined financial statements. The results are presented by program, by sector and by region, according to the following parameters: jobs, value added and Québec government revenue. They were produced by the Institut de la statistique du Québec (ISQ), using its input-output model. The composition of Investissement Québec's portfolio changes, such that variations in economic impact over time can be attributable, in part, to the turnover of companies (entering and leaving the portfolio) and not only to their performance or the economic climate.

In addition, the Corporation is able to quantify the portion of the economic impact it generated, thereby evaluating the profitability of its operations. For SMB financing programs and government mandates, this portion corresponds to the impact of projects implemented by companies that exceeded the normal risk threshold of private financial institutions. For the FAIRE program, the portion of the impact attributable to Investissement Québec is proportionate to the probability of non-implementation of a project weighted against the net gain for the economy. Both the project and portfolio evaluations are objective assessments based on a rating system that compares a set of financial and economic parameters.

This method and the overall results were presented at many public forums, including the congress of the Association canadienne-française pour l'avancement de la science in 1997 and 1998, the congress of the Canadian Evaluation Society in May 1999, and the congress of the American Chamber of Commerce Research Association, held in June 2001.

APPENDIX 2

LIST OF FINANCING PRODUCTS MANAGED BY INVESTISSEMENT QUÉBEC AS AT MARCH 31, 2001**SMB Guarantee**

Payment guarantee that can cover a portion of the losses assumed by financial institutions. This guarantee is designed to help companies obtain financing for their investment, innovation or strategic alliance projects in the manufacturing, tertiary and tourism sectors, or for export projects.

SMB Guarantee also allows companies in need of liquidity to temporarily finance tax credits to which they are entitled under the following fiscal measures:

- Scientific research and experimental development – Revenu Québec and Revenue Canada;
- Montréal Foreign Trade Zone at Mirabel;
- The Cité de l'optique;
- Processing activities in resource regions;
- New Economy Centres;
- Information Technology Development Centres;
- The Centres de développement en biotechnologie de Laval;
- The Centre national des nouvelles technologies de Québec;
- The Cité de la biotechnologie et de la santé humaine du Montréal métropolitain;
- The Cité du multimédia;
- Gaspésie and certain maritime regions;
- Production of multimedia titles;
- Digital shows;
- Technopôle Angus;
- Aluminum Valley.

Lastly, SMB Guarantee can help companies finance their growth working capital or promising projects that are not eligible for the regular program (experimentation measures).

COOP Guarantee

Payment guarantee that can cover a portion of the losses assumed by financial institutions. This guarantee is designed to help cooperatives obtain financing for their start-up, development and financial consolidation projects.

NPO Guarantee, Social Economy

Payment guarantee that can cover a portion of the losses assumed by financial institutions. This guarantee is designed to help commercial non-profit organizations (NPO) obtain financing for their start-up and development projects.

SMB Spark

Payment guarantee designed to help small businesses in start-up phase obtain financing.

Québec Business Investment Company (QBIC)

Program for the creation of corporations to invest in Québec businesses. The goal is to invest in the share capital of small and medium-sized businesses in Québec to facilitate their capitalization and allow investors to receive tax benefits.

Investor Immigrant Program — For Business Assistance

Program designed to promote economic development by injecting funds into Québec businesses using the income generated by the investments entrusted by investor immigrants to IQ Immigrants Investisseurs Inc., a subsidiary of Investissement Québec.

Private Investment and Job Creation Promotion Fund (FAIRE)

Financial support program designed to promote investment and job creation. Through this program, companies can obtain a repayable or non-repayable financial contribution, obtain a payment guarantee or share certain costs with Investissement Québec.

Fiscal Measures

Management of fiscal measures, including the evaluation of business eligibility applications and production of annual eligibility certificates or certificates for the following refundable tax credits:

- Processing activities in resource regions;
- New Economy Centres;
- Information Technology Development Centres;
- The Centres de développement en biotechnologie de Laval;
- The Centre national des nouvelles technologies de Québec;
- The Cité de la biotechnologie et de la santé humaine du Montréal métropolitain;
- The Cité du multimédia;
- Gaspésie and certain maritime regions;
- Production of multimedia titles;
- Digital shows;
- Technopôle Angus;
- Aluminum Valley.

For more information on these financing products, go to Investissement Québec's Web site:
www.investquebec.com

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